

95009

OTS No. 4693

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this Sixteenth day of April, 1992 (the "Effective Date"), by and between Spencer Savings Bank, SLA (the "Association"), a state chartered mutual association, having its main office located at Garfield, 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

1.01. The Association shall comply with the following Federal laws and regulations:

(a) Section 22h of the Federal Reserve Act, as applied to savings associations by Section 11 of the HOLA, 12 U.S.C. § 1461, et seq., and Section 563.43(b) of the OTS Regulations, 12 U.S.C. § 375B and 12 C.F.R. § 563.43(b) (regarding loans to affiliates);

(b) Section 563.33 of the OTS Regulations, 12 C.F.R. § 563.33 (regarding directors);

(c) Section 563.161 of the OTS Regulations, 12 C.F.R. § 563.161 (regarding financial policies and compensation);

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

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

(f) Section 563.180(d) of the OTS Regulations, 12 C.F.R. § 563.180(d) (regarding filing of reports of crimes, suspected crimes and unexplained losses);

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

(h) Section 566.4 of the OTS Regulations, 12 C.F.R. § 566.4 (regarding liquidity reports).

1.02. The requirements set forth in Section 1.01 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. CORRECTIVE PROVISIONS

2.01. MANAGEMENT

(a) Spencer is designated as being in a "troubled condition," pursuant to Section 32 of the FDIA, 12 U.S.C. § 1831i. Therefore, any employment of senior executive officers or addition of directors is subject to OTS approval, pursuant to 12 U.S.C. § 1831i(b).

(b) Within 30 days after the Effective Date, the Association shall take all necessary actions to add at least two new independent members to its Board of Directors. As set forth above, said additions shall be subject to OTS approval. The term "independent" means a person with no present or past affiliation with the Association or its subsidiaries or affiliates.

2.02. INVESTMENT POLICY

Within forty five (45) days after the Effective Date, the Board of Directors shall approve and implement written investment policies and procedures (the "Investment Policy"). The Investment Policy shall, inter alia:

(a) designate an officer with responsibility for investment strategy development and implementation and provide training in investment rate risk characteristics of investments for that individual;

(b) require the obtaining and documentation of competitive quotes for each security transaction;

(c) specify and segregate the various liquidity restrictions and maturities for eligible investments;

(d) provide that bankers' acceptances be used only in conformance with 12 C.F.R. § 566.1(5)(i);

(e) set forth specific procedures for accounting for purchased transactions;

(f) require review of FHLB safekeeping statements;

(g) require verifications of broker tickets and/or confirmations;

(h) require compliance with internal audit procedures;

(i) require the identification of which securities are held for investment, sale or trading;

(j) set forth the types of high-risk mortgage derivative products in which the Association will not invest; and

(k) require quarterly investment committee meetings and documentation thereof, including review of compliance with the investment policy and procedures.

2.03. INTERNAL AUDIT PROGRAM

(a) Policy. No later than ninety (90) days after the Effective Date, the Board shall adopt and implement an internal audit policy which will enable the Board to effectively monitor the implementation of its policies. Approval of the policy by the Board shall be documented in the Board minutes. The policy shall, at a minimum: (i) address the issues of physical and accounting controls in the areas listed in the FHLBB Bulletin IA-5; and (ii) change the composition of the Audit Committee to exclude members of management.

(b) Quarterly Reports. The internal auditor shall, on a quarterly basis, prepare a report for the Board which shall, at a minimum, discuss: (i) whether the Association is in compliance with laws and regulations; (ii) whether the internal controls system is working; (iii) the soundness and adequacy of accounting, operating and administrative controls; (iv) the effectiveness of internal policies and procedures; and (v) the extent to which the Association's assets are protected against loss.

(c) Review by the Board. The Board shall review the quarterly report specified in Section 2.03(b), and such review shall be documented in the Board minutes. To the extent that the report indicates any inadequacies in the internal control program, the Board shall direct that prompt action by the appropriate person be taken to correct such deficiencies. Such direction shall be documented in the Board minutes. The Board shall review the adequacy of this remedial action, and said review shall be documented in the Board minutes.

(d) The reports and documentation referred to in Section 2.03(b) and (c) shall be kept available for OTS review, upon request.

(e) The Board shall take prompt action to correct all areas of deficiency noted by the internal auditor and referred to at page 16 of the June 3, 1991 Report of Examination.

2.04. ASSET COLLECTION POLICY

(a) Within 30 days of the Effective Date, the Board of Directors shall adopt and implement an asset collection policy which, at a minimum, requires:

(i) prompt identification of all loans that are past due;

(ii) systematic, progressively more forceful and thoroughly documented written and verbal contacts with delinquent borrowers;

(iii) appropriate inspections and/or appraisal reviews are performed when setting and implementing the collection strategy;

(iv) that the status of required filings and payments are known to management so that the Association's collateral interests are maintained and protected;

(v) specific time frames for prompt referrals to Legal Counsel for collection;

(vi) a written plan for liquidation for each real estate owned property;

(vii) specific authorizations for permitting payment plans, charge-offs and forbearances;

(viii) establishment of procedures for Association bids for properties at sheriffs' sales; and

(ix) guidelines and procedures for pursuing deficiency judgments.

(b) 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 to the Board as to the extent of the Associations compliance (or non-compliance) with the asset collection policy. This report should include reports on arrears, real estate owned, and loans in foreclosure.

(c) At least on a quarterly basis, the Board shall review the levels of staffing in the areas of loan collections/workouts and the management of real estate owned, and shall determine whether additional staffing is needed.

(d) At least on a semiannual basis, the Board shall review the performance of outside counsel retained to pursue foreclosure actions on behalf of the Association. In performing this review, the Board shall consider whether additional and/or more specialized counsel is needed. Said review shall be documented in the Board minutes.

2.05. Internal Loan Review

The Association shall provide OTS with its quarterly internal loan review reports, as well as written status reports or responses to those areas criticized in the internal loan review reports. These reports should also detail and verify the amounts of valuation allowances actually established.

2.06. GENERAL VALUATION ALLOWANCES

Revised Policies. No later than 15 days from the Effective Date, the Board shall develop and implement revised policies and procedures for general and specific valuation allowances which: (i) are consistent with 12 C.F.R. §571.26; (ii) are based upon prudent

levels of general valuation allowances; (iii) correct the deficiencies cited on page 21 of the June 3, 1991 Report of Examination by taking into account specific risk factors relative to all asset categories and ensuring that higher risk factors are applied to appropriate assets; and (iv) require Board approval of the amount of reserves booked and verification thereof.

2.07. LOAN POLICIES

(a) Within sixty (60) days from the Effective Date, the Association shall revise its written loan policy to require, at a minimum:

(i) specified individual lending authority for mortgage and home equity lending;

(ii) expansion of the composition of the loan committee to include another loan officer or outside director;

(iii) that construction loan proceeds are used only for the intended purpose, are advanced only in accordance with the plan of construction, and are supported by adequate documentation (including inspection reports done upon completion of the paid for improvements, detailing work in place and percentages completed, and detailed invoices documenting materials provided and work performed); and

(iv) address the guidelines under which matured construction loans may be renewed. These guidelines shall take into account 12 C.F.R. § 563.170 and shall require title searches and re-appraisals.

(b) All underwriting policies and procedures which are currently under revision shall be kept available for OTS review upon request.

2.08. APPRAISAL POLICY

(a) Within 30 days of the Effective Date, the Bank shall implement an effective policy regarding its appraisal program consistent with 12 C.F.R. §§ 563.170, 563.172(a) and 564.1 et seq. and the Uniform Standards of Professional Appraisal Practice. In addition, the Policy shall provide for (i) at least annual Board review of the improvement in the quality of appraisals; and (ii) the exclusive use of outside appraisers.

(b) The Association shall immediately obtain appraisals of the classified assets listed on page A-12 of the OTS Examination Report dated June 3, 1991. The Association shall maintain in its files a record of the date that the appraisal order was received, and a copy of the review appraiser's report on each appraisal. Said review shall ensure that each appraisal is performed in conformance with 12 C.F.R. § 564.4.

2.09. INTEREST RATE RISK MANAGEMENT

(a) Within 60 days of the Effective Date, the Board of Directors shall adopt, implement and periodically follow up on an interest rate risk policy that is: (i) consistent with 12 C.F.R. §§ 563.176 and 571.3 and Thrift Bulletins 13, 13-1 and 13-2 and (ii) designed to significantly reduce the Association's level of interest rate risk.

(b) The policy shall explicitly enunciate the Association's strategy(ies) for reducing interest rate risk.

(c) Commencing within 30 days of the Effective date, and thereafter on a monthly basis, and in accordance with existing policy, the Asset/Liability committee shall meet and minutes shall be kept of said meetings.

(d) The Board shall immediately implement procedures whereby management is provided with sufficient training in comprehending and managing interest rate risk, including the utilization and interpretation of the existing software package and reports.

2.10. LIQUIDITY

The Association shall at all times maintain liquid assets (as defined in 12 C.F.R. §566.1(g)) in accordance with the requirements of 12 C.F.R. Part 566. The Association shall maintain adequate liquidity records so that examiners and auditors can verify the Association's compliance with the liquidity requirements.

2.11. BUSINESS PLAN

(a) Submission of Business Plan. No later than 60 days after the Effective Date, the Association shall adopt a one (1) year and three (3) year business plan which has been prepared by management and approved by the Board. Such approval shall be documented in the Board minutes. Said plan shall be made available to the OTS upon request.

(b) Contents. The business plan shall, at a minimum, address the following areas: (i) the Association's objectives, operating strategy and business philosophy during the next one (1) year and three (3) year period; (ii) its present financial condition; (iii) the budget and budget review procedures, including comparison of actual and budgeted results and analysis and quarterly documentation of material variances; (iv) credit exposure; (v) regulatory capital position; (vi) profit composition; (vii) market penetration; (viii) interest rate risk management; (ix) deposit solicitation strategies; (x) projected sources and uses of funds; (xi) asset/liability management; (xii) internal audit program; (xiii) new business initiatives; and (xiv) establish a written savings policy which specifies the Association's deposit goals, defines strategies and responsibilities for deposit-related activities, and provides for a

system of internal audit and review.

(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.

2.12. MANAGEMENT STUDY

(a) The Board shall hire an independent party to review and evaluate the organizational structure and management of the Association. This study shall include, at a minimum: (i) analysis of existing management's expertise and competence; (ii) identification of additional staffing needs; and (iii) assessment of the institution's weaknesses and problem areas, particularly in the areas of delinquent loans and problem assets.

(b) The Association shall choose one of the following organizations to perform this study: (i) Price Waterhouse; (ii) Deloitte & Touche; (iii) KPMG Peat Marwick; or (iv) Finpro Financial Services, Inc.

(c) The report of this review shall be signed by each director and forwarded to the OTS within 90 days of the Effective Date.

2.13. CODE OF ETHICS

(a) Within thirty (30) days of the Effective Date, the Association shall adopt a written Code of Ethics. The Code shall, at a minimum, address the areas listed in OTS Procedural Alert No. 82, which is attached hereto as Exhibit A and incorporated by reference.

(b) The Association shall submit criminal referrals within fourteen (14) business days of future discovery of any known or suspected criminal act in accordance with 12 C.F.R. § 563.180(d). This policy shall be adopted by the Board of Directors and the adoption shall be documented in the board minutes.

2.14. COMPENSATION

Within ninety (90) days of the Effective Date, the Association shall adopt a written Bonus and Compensation Policy. This policy should incorporate the provisions of 12 C.F.R. §§ 563.39 and 563.161(b) and Regulatory Bulletin 27. The policy shall include, but not be limited to the following provisions:

(a) No employees terminated for cause shall be given severance;

(b) The Association shall retain outside legal counsel to assist it in making the determination as to whether an employee has been terminated for cause;

(c) No bonuses shall be paid to senior management during any year in which the Association incurs operating losses;

(d) The board minutes shall reflect all bonus amounts awarded to senior management; and

(e) All bonuses shall be based on established quantifiable goals and objectives set forth in the policy.

2.15. MISCELLANEOUS CORRECTIVE PROVISIONS

(a) The Association shall not hire any relatives of directors or officers.

(b) Commencing with the first quarter ending subsequent to the Effective Date, management shall prepare quarterly status reports regarding its progress in resolving the problems pertaining to loans purchased from mortgage brokers. These reports shall be forwarded to the OTS within ten (10) days of the end of each quarter. These reports shall contain at least the following information: (i) status of actual and contemplated litigation by or against the Association; (ii) status of any investigations on behalf of the Association; (iii) status of actual and contemplated insurance claims based on losses from these transactions; and (iv) a record of legal fees and costs associated with these actions.

(c) The Association shall re-compute its capital requirements to reassign the purchased mortgage loans to the 100% risk-weighting category.

(d) The Association shall correct the inadequacies in the EDP system which were addressed in the June 3, 1991 Report of Examination. In addition, the Association shall, within 90 days:

(i) Assess the capabilities of the new EDP manager and hire sufficient additional competent EDP personnel;

(ii) Determine whether to purchase new computer hardware and software systems, upgrade the existing software or discontinue in-house EDP systems; and

(iii) Correct the problems with data integrity before conversion to a new EDP system.

III. BOARD OF DIRECTORS

3.01. COMPLIANCE WITH AGREEMENT

(a) The Board of Directors 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.

3.02. DIRECTOR RESPONSIBILITY

Notwithstanding the requirements of this Agreement that the Board of Directors 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 of Directors 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.

3.03. DUTY OF CARE

Each member of the Board of Directors, 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 which is applicable to the performance of his or her duties as a Director of the Association.

IV. MISCELLANEOUS

4.01. 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 4.01 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).

"Affiliate" shall have the meaning set forth in Section 23A of the Federal Reserve Act, 12 U.S.C. § 371c(b).

"Board Resolution" means a resolution duly adopted by the Board of Directors 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.

"Compensation" means: (i) the amount of taxable compensation reportable in accordance with the Internal Revenue Code of 1986 as amended; (ii) salary reduction amounts set aside under any qualified employee benefit plan established under Sections 401(k) or 125 of the Internal Revenue Code; and (iii) other amounts deferred under any non-qualified deferred compensation plan, to the extent that such amounts are paid, set aside, or deferred by the Association or any majority-owned subsidiary thereof.

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

"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.

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

"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).

"Security or Securities" shall have the meaning set forth in Section 561.44 of the OTS Regulations, 12 C.F.R. § 561.44.

"State" means the State of New Jersey.
"Subsidiary" or "subsidiaries" shall have the meaning set forth in Section 567.1(dd) of OTS Regulations, and subsidiaries of such entities.

4.02. 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.

4.03. NOTICES

(a) Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:

(1) the OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place,

18th Floor, Jersey City, New Jersey 07302 or telecopied to (201)413-7543 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(2) the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Association at 34 Outwater Lane, Garfield, New Jersey 07026 or telecopied to _____ 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.

4.04. 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.

4.05. EFFECT OF HEADINGS

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

4.06. SEPARABILITY CLAUSE

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director, in his sole discretion, determines otherwise.

4.07. 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.

4.08. 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 there successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

4.09. 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.

FORM OF
CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Spencer 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 April 16, 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 _____) and all members of the Board of Directors (except _____) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 16th day of April, ~~1991~~ 1992.

/s/
Name: Helen German

Title: Secretary

(SEAL)