

95060

OTS No.: 1993

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 24th day of July, 1992 (the "Effective Date"), by and between Delanco Savings and Loan Association (the "Association"), a state chartered mutual association, having its main office located at Delanco, 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 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"), without admitting or denying the existence of any grounds as referenced above, wishes to cooperate with the OTS and to demonstrate that they have the intent and ability to: (1) comply with 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 regulations:

(a) Sections 563.160(c) and (d) of the OTS Regulations, 12 C.F.R. § 563.160(c) and (d) (regarding classification of assets);

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

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

(d) Section 564.3(a) of the OTS Regulations, 12 C.F.R. § 564.3(a) (regarding appraisals); and

(e) Section 566.1(g)(4) of the OTS Regulations, 12 C.F.R. § 566.1(g)(4) (regarding liquidity requirements).

1.02. The requirements set forth in Section 1.01 that the Association conduct its business in conformity with the requirements of the Federal regulations set forth therein shall not be construed as an authorization for the Association to engage in any activity permitted by said 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. LENDING RESTRICTIONS

(a) The Association shall not make any new loan or investment without obtaining the non-objection of the Regional Director, except as provided in 2.01(b) below.

(b) The Association may make/engage in the following loans, investments or activities without obtaining prior non-objection from the Regional Director, provided that the Association engages in such activities in a prudent manner:

(i) Advances necessary to honor legally binding commitments, binding on or before the Effective Date, to fund loans or loans-in-process ("LIP"), provided that the Association complies with the requirements of Subsection (bb) of this Section;

(ii) Investments that qualify as Liquid Assets pursuant to Section 6 of the HOLA, and Part 566 of the OTS Regulations;

(iii) Origination of Qualifying Mortgage Loans, as defined in Section 567.1(u) of the OTS Regulations, provided that each of the following conditions is satisfied:

(aa) the Association independently verifies both the borrower's ability to repay the loan and the source of the downpayment, and documents said verification in the credit file;

(bb) the interest rates offered are (i) consistent with rates offered for similar loans by other mortgage lenders in the Association's market area and (ii) such that the loans could be sold at par to FHLMC and/or FNMA within 60 days of origination;

(cc) the real property securing the loans is located within the Association's Local Community, within the meaning of Section 563e.3 of the OTS Community Reinvestment Act Regulations, 12 C.F.R. § 563e.3;

(dd) the terms and underwriting of the loans are such that the loans are "conforming" in that they satisfy the loan underwriting standards of the FHLMC or FNMA; and

(ee) the real property securing the loans is owner-occupied;

(iv) Fully secured home equity loans that: (i) meet the Association's underwriting standards, (ii) are made at market terms and (iii) do not exceed \$50,000 in the aggregate to any one borrower; except that the Association shall not invest in any such loans originated by a dealer, retailer or other seller of goods and services; and

(v) Student loans that: (i) meet the Association's loan underwriting standards, (ii) do not exceed \$15,000 to any one borrower and (iii) are made only to the Association's existing customers.

2.02. Management

(a) Within 90 days of the Effective date, the Association shall hire a new president and chief executive officer. This employment shall be subject to written approval by the OTS Regional Director or his designee.

(b) In the event that the Association's Board of Directors deems it appropriate to authorize a severance payment to the current President and chief Executive Officer, the aggregate amount of such payment will not exceed: (i) an amount equal to such officer's salary paid during the six months immediately preceding the effective date of his resignation from the Association and/or (ii) an amount equal to premiums paid during the six months immediately preceding the effective date of his resignation from the Association for coverage under the Association's health benefits plan (hospitalization, major medical coverage, dental and vision care). The Association will notify the OTS Regional Director of such authorization.

(c) Business Plan

(i) The OTS acknowledges that the Association has submitted to the Regional Director a copy of its business plan adopted by the Association's Executive Committee on May 12, 1992, and ratified by the Board of Directors on May 18. The OTS finds this business plan to be satisfactory and the Association agrees to comply with this plan, as it may be amended from time to time, until such time as a new business plan may be adopted. In the event that the Association amends and/or adopts a new business plan, any amendments or new plan shall be submitted to the Regional Director or his designee.

(ii) 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 submit quarterly statements to the Regional Director which show the difference, if any, between budgeted and actual results. These submissions shall also include explanations of any deviations of greater than 15% between budgeted and actual results. 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.

2.03. Minutes of Meetings.

No later than 30 days after 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 such meetings are accurate, contain sufficient detail, and are reviewed and adopted in a timely fashion. At a minimum, such procedures shall provide that:

- (a) attendance at all meetings is accurately recorded;
- (b) all deliberations of the Board, including discussions held, policies and procedures approved, committee actions ratified and reviewed, and information reported to the Board by management is recorded;
- (c) each member of the Board receives for review and comment copies of minutes of Board and committee meetings in draft form prior to each subsequent regular meeting of the Board or appropriate committee;
- (d) pages of final board minutes are pre-numbered;
- (e) members are provided with proposed final copies of board minutes; and
- (f) final board minutes are read individually by each board member prior to being adopted.

2.04. Accrual Status of Loans

(a) Within 30 days of the Effective Date, the Association shall revise its collection policy regarding the accrual of interest on delinquent mortgage loans. The policy shall, if it has not already done so, establish guidelines for (i) placement of loans experiencing partial and/or erratic payments on a non-accrual status and (ii) restoration of such loans to accruing status.

(b) The Association shall continue to reserve 100% of interest due on loans 90 days overdue or more.

2.05. Internal Asset Review/Asset Classifications

(a) No later than 15 days after the Effective Date, if the Association has not already done so, it shall increase its GVA by \$136,722.

(b) Within 30 days of the Effective Date, the Association shall amend its Asset Classification policy to include the following provisions:

(i) the identification, by name and title, of the person responsible for the initial review and classification of assets. This person shall be someone other than the Association employee responsible for the underwriting function;

(ii) specific timetables for repayment in cases where there is an exception to automatic classification because repayment "is reasonably expected in the near future";

(iii) guidelines for evaluation of collateral in cases where there is an exception to automatic classification because a loan is well collateralized; and

(iv) review, at least annually, of the creditworthiness of multi-loan borrowers where the aggregate loan balance is greater than \$ 100,000.

(c) The Association shall comply with all provisions of the Classification of Asset Policy adopted by the Board of Directors on April 20, 1992, and as it may be amended from time to time.

2.06. Asset Collection Policy

(a) Within 30 days of the Effective Date, the Board of Directors, unless it has already done so, 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 re-appraisals, as appropriate, are performed when setting and implementing the collection strategy;

(iv) that the status of required filings and payments (i.e., relating to taxes and insurance) are known to management so that the Association's collateral interests are maintained and protected; and

(v) prompt referrals to Legal Counsel for collection.

(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 as to the extent of the Associations compliance (or non-compliance) with the asset collection policy.

2.07. Lending Policy

(a) Within 45 days of the Effective Date, the Association shall, unless it has already done so, revise its written loan policies to include, at a minimum: (i) the responsibility of the Board in reviewing, ratifying and approving loans, extensions or modifications; (ii) the maintenance and review of complete and current (if appropriate) credit files on each borrower and property; (iii) required documentation for borrower income and debt verification, including expense items for investment property cash flow analysis; (iv) required submission of at least two consecutive years of financial information and proof of insurance coverage for investment property borrowers; and (v) provision for financial condition documentation of investor/borrowers where tax returns are unavailable or insufficient.

(b) The Association shall, unless it has already done so, establish written policies and procedures for modifications, extensions or renewals of troubled assets to ensure that (i) such modifications, extensions, or renewals are adequately controlled and are reviewed by the Board of Directors and (ii) that appropriate valuation allowances are established.

(c) The Board shall, unless it has already done so, approve the revised written loan policy, and such approval shall be recorded in the minutes of the Board. The Regional Director shall be provided with any subsequent material modifications to the loan policy necessitated by changes to applicable laws, regulations, or policies of the OTS.

(d) Within 60 days of the Effective Date, the Association shall, unless it has already done so, designate an individual or individuals not directly involved in loan origination to review the Association's underwriting practices. Said review shall be documented and submitted to the Board on a quarterly basis.

2.08. Liquidity Policy

Within 45 days from the Effective Date, the Association shall implement controls to ensure that non-negotiable Certificates of Deposit with terms in excess of 90 days remain removed from the calculation of qualifying short-term liquid assets.

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 or other exceptions 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, 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. In the opinion of the OTS, no member of the Board of Directors of the Association shall be deemed to have breached his fiduciary duties by complying with the terms of this Agreement in good faith.

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.

"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.

"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.

"OTS" refers to the Office of Thrift Supervision, United States Department of the Treasury, or its successor.

"Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, and refers to the Regional Director of the Northeast region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

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

4.02. 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 President of the Association at 615 Burlington Ave., Delanco, New Jersey 08075 or telecopied to the President of the Association at 609-461-2491 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 their 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.

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

By:

15/

Name: Robert Albanese
Regional Deputy Director

THE ASSOCIATION

By:

15/

Name: Charles S. Avenick
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

15/

Director

15/

Director

15/

Director

15/

Director by his Attorney in Fact
Alfred A. Foxen, III

15/

Director

15/

Director

15/

Director

15/

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 Secretary of Delanco Savings & Loan Association ("the Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on July 20, 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, without admitting or denying the existence of grounds for the institution of administrative proceedings against 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 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 deemed to be 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 of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and, that the Directors and Executive Officers of the Association are hereby authorized and directed to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except None) and all members of the Board of Directors (except None) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Association on this 20 day of July, 1992.

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Name: Sally A. Drummond
Title: Secretary

(SEAL)

REVOCABLE PROXY
DELANCO SAVINGS AND LOAN ASSOCIATION ("ASSOCIATION")

THIS PROXY IS GIVEN IN CONNECTION WITH THE SPECIAL MEETING OF THE BOARD OF DIRECTORS DULY CALLED FOR MONDAY, JULY 13, 1992, AT 7:00 P.M., AT THE OFFICES OF THE ASSOCIATION, AT WHICH TIME THE BOARD WILL REVIEW AND ACT UPON THE SUPERVISORY AGREEMENT NEGOTIATED WITH THE OFFICE OF THRIFT SUPERVISION ("OTS").

The undersigned, being a Director of the Association, hereby appoints Harry Myers, Jr., Vice Chairman of the Board of Directors, as proxy, with full powers of substitution, to cast all votes which the undersigned may be entitled to cast, if then personally present, at the Special Meeting of the Board of Directors of the Association to be held at the Association's offices on Monday, July 13, 1992 at 7:00 p.m. and at any adjournment of said meeting, on the matter set forth below.

Should the undersigned be present and want to vote in person at the Special Meeting, the undersigned may revoke this proxy by voting in person at the meeting.

1. To execute the Supervisory Agreement on behalf of the Association and to adopt the form of Board Resolution attached thereto, and to forward such executed Agreement and the certified Board Resolution to the OTS, Northeast Regional Office.

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Signature *JS*

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Print Name

FOR

 X

AGAINST

SPECIAL POWER OF ATTORNEY

I, Alan M. Schaeffer, residing at 801 Second Street, Delanco, New Jersey, hereby appoint ALFRED A. FAXON, III, whose address is 196 Highland Avenue, P. O. Box 854, Moorestown, New Jersey 08057-0854, as my attorney in fact to act in my capacity and to do any and all of the following:

1. To execute for me and in my name, and in my capacity as a Director of the Delanco Savings and Loan Association, a certain Supervisory Agreement between Delanco Savings and Loan Association, a state chartered mutual savings and loan association of the State of New Jersey and the Office of Thrift Supervision, in the form annexed hereto as Exhibit "A."

The rights, powers and authority of my said attorney in fact to exercise and all of the rights and powers herein granted shall commence and be in full force and effect as of the date of execution and acknowledgement of this instrument, and shall remain in full force and effect until and through July 31, 1992.

IN WITNESS WHEREOF, I, Alan M. Schaeffer, have hereunto set my hand and seal this 14th day of July, 1992.

Signed, sealed and delivered
in the presence of

151
Alan M. Schaeffer (LS)

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Witness

STATE OF New Jersey }
COUNTY OF Burlington } SS

I CERTIFY that on the 14th day of July, 1992, Alan M. Schaeffer personally came before me and he acknowledged according to law, to my satisfaction, that he:

1. Is named in and personally signed this Instrument.
2. Signed, sealed and delivered this Instrument as his voluntary act and Deed.

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DENISE J. LOGAN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Dec. 1, 1994