THE SUPERINTENDENT OF BANKS OF
THE STATE OF NEW YORK

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In the Matter of
SAVOY BANK

New York, New York

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Order to Cease and
Desist Issued Upon
Consent

WHEREAS, in recognition of their common goals to ensure compliance with all applicable federal and state laws, rules and regulations, and the conduct of safe and sound banking operations, by Savoy Bank (the "Bank"), a New York State chartered institution, the deposits of which are insured by the Federal Deposit Insurance Corporation (the "FDIC"), the New York State Banking Department (the "Department") and the Bank have mutually agreed to enter into the Order to Cease and Desist Issued upon consent (the "Order"); and

WHEREAS, the Department and the FDIC have identified supervisory concerns relating to the conduct of the Bank's business, including certain unsafe and unsound banking practices and violations of written conditions imposed by the FDIC in its Order dated June 22, 2007, approving the Bank's application for deposit insurance; and

WHEREAS, the Department and the FDIC recently completed a joint safety and soundness examination as of September 30, 2008; and

WHEREAS, as a result of said examination as of September 30, 2008, the Department and the FDIC identified certain supervisory concerns relating to the conduct of the Bank's business, including unsafe and unsound banking practices and violations of law and/or regulations; and

WHEREAS, the Superintendent of Banks of the State of New York (the "Superintendent") is concerned that the Bank has failed to conduct its operations in a safe and sound manner by failing to take steps and establish the controls necessary to operate in a safe, prudent and lawful manner; and

WHEREAS, the Superintendent possesses the authority under Banking Law Section 39 to issue an order to the Bank to discontinue unlawful or unsafe practices; and

WHEREAS, the Superintendent believes that prompt enforcement action and this issuance of this Order is necessary to address the aforementioned supervisory concerns with respect to the Bank and further believes that additional enforcement action may be necessary to address any other supervisory concerns which may come to the attention of the Department; and

WHEREAS, on June 2, 2009, the board of directors (the "Board") of the Bank, at a duly constituted meeting, adopted a resolution:

1. Authorizing and directing Mr. Gregory Tolston to enter into this Order on behalf of the Bank, and to consent to compliance on behalf of the Bank with each and every provision of this Order;
2. Waiving any and all rights to judicial review of this Order;
3. Waiving any and all rights to challenge or contest the validity, effectiveness, terms or enforceability of the provisions of this Order.

NOW, THEREFORE, without admitting or denying any findings of fact or conclusions of law, and without this Order constituting an admission of wrongdoing or an adoption, approval or admission of any allegation made by the Department, and pursuant to the aforesaid resolution:

IT IS HEREBY ORDERED pursuant to Banking Law Section 39 that the Bank shall cease and desist from engaging in the unsafe or unsound banking practices and from committing the apparent violations of the law and/or regulation, described in the Report of Examination as of September 30, 2008 ("ROE"), and specified below:

(a) operating with a Board that has failed to provide adequate supervision and oversight to the management of the Bank to prevent unsafe or unsound practices and violations of law and/or regulation;

(b) operating with management whose policies and practices are detrimental to the Bank;

(c) failing to comply with a written condition imposed by the FDIC in its June 22, 2007 order approving the Bank's application for deposit insurance, in failing to notify the Regional Director of the FDIC's New York Regional Office of a major deviation from the business plan submitted with the Bank's application for deposit insurance at least 60 days prior to consummation of the deviation;

(d) operating with inadequate loan policies, processes and procedures, including, but not limited to, an inadequate loan review function and an inappropriate loan loss reserve methodology;

(e) operating with a lack of due diligence in loan underwriting and inadequate credit administration practices;

(f) operating with excessive risk in relation to the kind and quality of assets held by the Bank;

(g) operating with excessive concentrations in commercial real estate;

(h) operating with an excessive level of adversely classified loans and/or delinquent loans;

(i) operating with an inadequate allowance for loan and lease losses;

(j) operating in such a manner as to produce unsatisfactory earnings;

(k) operating without a plan to maintain capital at required levels, in light of unsatisfactory earnings;

(l) operating with an inadequate system to measure, monitor and control interest rate risk;

(m) operating without a current, comprehensive written business/strategic plan;

(n) operating in violation of the appraisal requirements and standards of Part 323 of the FDIC Rules and Regulations, 12 C.F.R. Part 323;

(o) operating in violation of the real estate lending standards of Part 365 of the FDIC Rules and Regulations, 12 C.F.R. Part 365;

(p) operating in contravention of the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (FIL-105-2006, issued December 13,

2006) and the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996); and

(q) operating in violation of the limitations on interbank liabilities of Part 206 of the Rules and Regulations of the Board of Governors of the Federal Reserve System, 12 C.F.R. Part 206.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, shall take affirmative action as follows:

CORRECTION AND PREVENTION

1. Beginning on the effective date of this Order, the Bank shall take steps necessary, consistent with other provisions of this Order and sound banking practices, to correct and prevent the unsafe or unsound banking practices and violations of law and regulation that were identified in the ROE issued jointly by the FDIC and the Department. In addition, the Board shall take all steps necessary to ensure that the Bank is operated with adequate management supervision and Board oversight to prevent any future unsafe or unsound banking practice or violation of law or regulation.

QUALIFIED MANAGEMENT

2. (a) Within 60 days from the effective date of this Order, the Bank shall have qualified management, including a chief executive officer, chief lending officer, and an appropriate number and type of senior officers, with the requisite knowledge, skills, ability, and experience, giving consideration to the size and

complexity of the Bank, to operate the Bank in a safe and sound manner, and in compliance with applicable laws and regulations, and restore the Bank to a satisfactory financial condition, including, but not limited to, capital adequacy, asset quality, management effectiveness, liquidity, sensitivity to market risk, information technology, and Bank Secrecy Act/Anti-Money Laundering compliance. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) Within 120 days from the effective date of this Order, and periodically during the life of this Order, but no less frequently than annually, the Board shall assess management on its ability to:

(i) comply with the requirements of this Order, all applicable State and Federal laws and regulations, FDIC and Federal Financial Institutions Examination Council (FFIEC) policy statements, and the Bank's approved policies and procedures; and

(ii) restore and thereafter maintain the Bank in a safe and sound condition, including, but not limited to, capital adequacy, asset quality, management effectiveness, earnings, liquidity, sensitivity to market risk, information technology, and Bank Secrecy Act/Anti-Money Laundering compliance.

REDUCTION OF ADVERSELY CLASSIFIED ASSETS

3. (a) Within 30 days from the effective date of this Order, the Bank shall eliminate by charge-off or collection all assets classified "Loss" within the ROE.

(b) Within 45 days from the effective date of this Order, the Bank shall formulate and submit to the Superintendent a written plan to reduce the Bank's risk exposure from each asset in excess of $250,000 classified "Substandard" or listed as "Special Mention" in the ROE. For purposes of this provision, "reduce" means to collect, charge-off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Department. In developing the plan mandated by this paragraph 3, the Bank shall, at a minimum, and with respect to each adversely classified and "Special Mention" loan, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) The plan mandated by this paragraph 3 shall also include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified and "Special Mention" asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified and "Special Mention" asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each adversely classified and "Special Mention" asset;

(iii) a schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified and "Special Mention" assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the allowance for loan and lease losses ("ALLL");

(iv) a provision for the Bank's submission of monthly written progress reports to its Board; and

(v) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the corresponding meeting of the Board.

(d) The requirements of this paragraph 3 do not represent standards for future operations of the Bank. Following compliance with the above reduction schedule, the Bank shall continue to reduce the total volume of adversely classified and "Special Mention" assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

(e) The Bank shall submit the plan mandated by this paragraph 3 to the Superintendent for review and comment. Within 30 days from receipt of any comment from the Superintendent, and after due consideration of any recommended changes, the Board shall approve the plan, which approval shall be recorded in the minutes of the corresponding meeting of the Board. Thereafter, the Board shall implement and fully comply with the plan.

(f) For purposes of this Order, the terms "Tier 1 capital" and "total assets" shall have the meanings ascribed to them and shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

STRATEGIC PLAN

4. (a) Within 60 days from the effective date of this Order, the Bank shall develop and submit to the Superintendent a business/strategic plan ("Strategic Plan") covering an operating period of at least three years. The Strategic Plan shall, at a minimum, include a formulation of a mission statement, the development of a strategy to carry out that mission, and the designation of a primary trade area. The Strategic Plan shall also include specific goals for the dollar volume of total loans, total investment securities, and total deposits. These goals shall be broken down further to indicate the types and concentrations of loans, investment securities, and total deposits. The Strategic Plan shall also specify the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets. In addition, the Strategic Plan shall include a written profit plan that includes goals and strategies for improving and sustaining the earnings of the Bank, including:

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

(ii) realistic and comprehensive budgets;

(iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and

(iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) The Bank's policies, including but not limited to loan, investment, and operating policies, shall be amended to implement the Strategic Plan.

(c) The Bank shall submit the Strategic Plan to the Superintendent for review and comment. Within 30 days from receipt of any comment from the Superintendent, and after due consideration of any recommended change, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the corresponding Board meeting. Thereafter, the Board shall implement and fully comply with the plan.

ALLOWANCES FOR LOAN AND LEASE LOSSES

5. (a) Within 30 days from the effective date of this Order, the Board shall establish and document an accurate, comprehensive and consistent methodology for determining its ALLL consistent with sound banking practices and shall eliminate and/or correct all contraventions of the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (FIL-105-2006, issued December 13, 2006).

(b) The Bank shall maintain, through charges to current operating income, an adequate ALLL. The adequacy of the ALLL shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the potential for loan losses in the Bank's portfolio, current economic conditions, and any criticisms contained in the Bank's most recent report of examination.

(c) The Bank shall conduct, at a minimum, a quarterly assessment of its ALLL and shall maintain a written record, for supervisory review, indicating the methodology used in determining the amount of the ALLL needed and any deficiencies shall be promptly remedied. The quarterly assessment shall be reviewed by the Board and shall be recorded in the minutes of the corresponding Board meeting.

LOAN POLICIES AND PROCEDURES

6. (a) Within 60 days from the effective date of this Order, the Bank shall submit to the Superintendent revised written loan policies and procedures that have been approved by the Board, which shall, at a minimum, address the recommendations contained in the ROE, and include the following:

(i) adequate underwriting standards and procedures for loans, loan renewals, and appraisal reviews;

(ii) controlling and monitoring of commercial real estate ("CRE") concentrations of credit, including (A) establishing concentrations of credit limits by industries, geographic areas and types of loans; and (B) managing the risk associated with asset concentrations;

(iii) controlling and monitoring of CRE, including plans to address the rationale for CRE levels as they relate to growth and capital targets, segmentations and testing of the CRE portfolio to detect and limit concentrations with similar risk characteristics;

(iv) for real estate loans, appropriate pricing structures, sufficient collateral protection, and limits on amounts that can be loaned in relation to established collateral values;

(v) specific procedures shall be included for prior approval of loans to directors, officers and principal shareholders and their related interests in compliance with applicable laws and regulations;

(vi) compliance with the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (FIL-105-2006, issued December 13, 2006);

(vii) identification of exceptions to the loan policy and timely reports to the Board regarding such exceptions; and

(viii) control and monitoring of CRE, including at least quarterly written reports to the Board regarding concentrations in CRE.

(b) The Board shall approve and adopt the revised loan policy mandated by this paragraph 6, which shall be recorded in the minutes of the corresponding Board meeting.

LOAN REVIEW

7. (a) Within 60 days from the effective date of this Order, the Bank shall revise its independent loan review program ("ILR Program") to ensure that it is sufficiently comprehensive to assess risks in Bank lending and minimize credit losses. At a minimum, the revised ILR Program shall provide for:

(i) increased monitoring and oversight of loan review by management;

(ii) identification of the percentage of the loan portfolio to be reviewed;

(iii) assessment of the adequacy of debt service coverage;

(iv) for construction loans, inspection of the status of construction projects;

(v) identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank's risk exposure;

(vi) assessment of the overall quality of the loan portfolio;

(vii) identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(viii) identification of loans that are not in conformance with the Bank's lending policy or laws, rules, or regulations and an action plan to address the identified deficiencies;

(ix) identification of loans to directors, officers, principal shareholders, and their related interests; and

(x) a procedure for reporting periodically, but in no event less than quarterly, the information developed in (i) through (ix), above, to the Board. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Bank shall submit the ILR Program to the Superintendent for review and comment. Within 30 days from receipt of any comment from the Superintendent, and after due consideration of any recommended changes, the Board shall approve the revised ILR Program, which approval shall be recorded in the minutes of the corresponding Board meeting. Thereafter, the Board shall implement and fully comply with the ILR Program.

CAPITAL PLAN

8. (a) Within 120 days from the effective date of this Order, the Bank shall develop a capital plan ("Capital Plan") to maintain a ratio of Tier 1 capital to total assets ("Tier 1 leverage ratio") of at least 8 percent.

(b) At a minimum, the Capital Plan shall include:

(i) projections for asset growth and capital requirements that are based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic plan;

(ii) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs; and

(iii) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's current and future needs and contingency plans that identify alternative sources of capital.

(c) The Capital Plan shall be submitted to the Superintendent for review and comment. Within 30 days of receipt of any comment from the Superintendent,

the Board shall revise the Capital Plan in accordance with the comments of the Superintendent and including any modification or amendment requested by the

Superintendent, approve and implement the revised Capital Plan, which approval shall be recorded in the minutes of the corresponding Board meeting.

(d) The Board shall review and update the Capital Plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Superintendent.

INTEREST RATE RISK

9. (a) Within 60 days from the effective date of this Order, the Bank shall maintain its interest rate risk ("IRR") exposure within the limits and parameters established and approved by the Board and in accordance with safe and sound banking practices, including holding, at a minimum, monthly meetings of the Bank's Asset/Liability Committee ("ALCO"). The Bank shall record minutes for each ALCO meeting.

(b) Reports of the Bank's IRR shall be presented at least monthly to the Board.

(c) The Bank shall ensure accurate and timely IRR reporting, including IRR reports prepared by external consultants.

(d) Within 120 days from the date of this Order, the Bank shall have an independent review of IRR conducted in accordance with the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996). Within 15 days of its receipt of the results of the independent review, the Bank shall submit the results to the Superintendent.

<u>COMPLIANCE COMMITTEE</u>

10. (a) Within 30 days from the effective date of this Order, the Board shall appoint a committee ("Compliance Committee") composed of at least three directors who are not now, and have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Superintendent, to monitor and coordinate the Bank's compliance with the provisions of this Order.

(b) Within 60 days from the effective date of this Order, and at monthly intervals thereafter, the Compliance Committee shall prepare and present to the Board a written report of its findings, detailing the form, content, and manner of any action taken to ensure compliance with this Order and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the Board meeting minutes. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this Order.

(c) Within 15 days after its receipt from the Bank's Compliance Committee, the Board shall forward a copy of the report with any additional comments made by the Board to the Superintendent.

<u>PROGRESS REPORTS</u>

11. Within 30 days from the end of each calendar quarter following the effective date of this Order, the Board shall furnish written progress reports to the Superintendent detailing the form, content, and manner of any actions taken to secure compliance with this Order.

SHAREHOLDERS

12. Following the effective date of this Order, the Bank shall send to its shareholder(s) or otherwise furnish a description of this Order in conjunction with the Bank's next shareholder communication and also in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the Order in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the Department, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the Department shall be made prior to dissemination of the description, communication, notice, or statement.

NOTICES

13. All communications regarding this Order shall be sent to:

Martin D. Cofsky, Deputy Superintendent of Banks
New York State Banking Department
One State Street
New York, New York 10004-1511

ORDER EFFECTIVE

14. The effective date of this Order shall be the date of issuance.

15. The provisions of this Order shall be binding upon the Bank and each of its directors, officers, employees, agents, successors and assigns.

16. The provisions of this Order shall remain effective and enforceable except to the extent that, and until such time as, any provision of this

Order has been modified, terminated, suspended or set aside in writing by the Department.

By ORDER of the Superintendent of Banks of the State of New York, effective this 8th day of June, 2009

NEW YORK STATE BANKING DEPARTMENT	SAVOY BANK NEW YORK, NEW YORK
By:___________________ Martin D. Cofsky Deputy Superintendent of Banks	By:___________________ Gregory Tolston