Counsel on the Savings & Loan Crisis 953587-4

2-3-10-48

Volume 4

Chapters 2G-3F

IIIG1	5/25/83	pp 2400-2415	Minutes Maryland Savings-Share Insurance Corporation Regular Meeting of Directors
IIIG2	5/25/83	pp 2416-2424	Minutes Maryland Savings-Share Insurance Corporation Regular Meeting of Directors
IIIG3	2/28/83	pp 2425-2447	Report of Examation of Ridgeway Savings and Loan Association
IIIG4	7/27/83	pp 2448-2449	Letter from Charles H. Brown, Jr. to Board of Directors Ridgeway Savings and Loan Association
IIIG5	8/24/83	pp 2450-2451	Minutes Ridgeway Savings and Loan Association's Board of Directors
IIIG6	9/8/83	p 2452	Letter from Rosemary Tyler to Charles Brown
IIIG7	2/29/84	pp 2453-2483	Report of Examination of Ridgeway Savings and Loan Association
IIIG8	6/4/84	pp 2484-2488	Letter from Charles H. Brown, Jr. to Board of Directors Ridgeway Savings and Loan Association
IIIG9	6/20/84	pp 2489-2491	Minutes Ridgeway Savings and Loan Association's Board of Directors
IIIG10	7/30/84	p 2492	Letter from Rosemary Tyler to Department of Licensing and Regulation Division of Building and Loan Associations
IIIG11	5/7/84	pp 2493-2608	Ridgeway Savings and Loan Association's Form AC Application for Approval of Conversion
IIIG12	5/16/84	pp 2609-2674	Ridgeway Savings and Loan Association's Appraisal Report Valued as of 5/16/84
IIIG13	9/25/84	p 2675	Letter from Charles H. Brown, Jr. to Robert B. Greenwalt, Esquire
IIIG14	9/19/84	pp 2676-2679	Agreement between W. Walter Farnandis and David L. Rouen
IIIG15	9/14/84	pp 2680-2683	Mortgage between Ridgeway Savings and Loan Association and W. Walter Farnandis
IIG16	9/19/84	pp 2684-2685	Confessed Judgment Note

IIIG17 P2686	9/19/84	Minutes Annual Shareholders' Meeting Ridgeway Savings and Loan Association
IIIG18 P2687	9/19/84	Resignation letter of Ridgeway Savings and Loan Association's Board of Directors
IIIG19 P2688	9/19/84	Consent to be directors and officers of Ridgeway Savings and Loan Association
IIIG20 P2689-2691	3/7/85	Letter from David C. Daneker, Esquire to David L. Rouen

Special Counsel on the Savings + Loan Crisis

Chapter III Section H + I

IIIH1	12/14/79	pp 2692-2695	MSSIC Membership Committee Meeting Minutes
IIIH2	3/5/80	pp 2696-2698	MSSIC Special Executive Committee Meeting Minutes
IIIH3	3/25/81	pp 2699-2708	MSSIC Regular Meeting of Directors
IIIH4	12/9/83	pp 2709-2721	Letter from Charles H. Brown, Jr. to Board of Directors, Sharon Savings and Loan; Examiner Comments as of February 28, 1983
IIIH5	2/28/83	p 2722	Excerpt, Division Examination of Sharon Savings and Loan
IIIH6	2/20/84	pp 2723-2730	Minutes of Special Meeting of Board of Directors of Sharon Savings and Loan
IIIH7	12/17/84	pp 2731-2738	Letter from Charles H. Brown, Jr. to Board of Directors, Sharon Savings and Loan; Examiner Comments as of May 31, 1984
IIIH8	5/31/84	pp 2739	Excerpt, Division Examination of Sharon Savings and Loan
IIIH9	1/24/85	pp 2740-2744	Minutes of Special Meeting of Board of Directors of Sharon Savings and Loan
IIIH10	2/7/84	pp 2745-2752	Letter from Charles H. Brown, Jr. to Board of Directors, Security Savings and Loan; Examiners' Comments as of May 31, 1983
IIIH11	5/31/83	pp 2753	Excerpt, Division Examination of Security Savings and Loan
IIIH12	12/10/82	pp 2754-2757	Deed of Trust between MSD Associates, Dennis E. Guidice, Jeffrey A. Levitt and Old Court Savings and Loan, Inc.
IIIH13	10/6/82	pp 2758	Sharon Savings and Loan Disbursement Requisition
IIIH14	5/3/84	pp 2759-2764	Minutes of Special Meeting of the Board of Directors of Security Savings and Loan
IIIH15	2/19/85	pp 2765-2774	Letter from Charles H. Brown, Jr. to Board of Directors, Security Savings and Loan; Examiners' Comments as of June 30, 1984
IIIH16	6/30/84	p 2775	Excerpt, Division Examination of Security Savings and Loan

IIIH17 pp 2776 - 2781	5/1/85	Letter from Theodore C. Denick, Esquire to Division of Savings and Loan Associations Minutes of Special Meeting of the Board of Directors of Security Savings and Loan
IIIH18 pp 2782 - 2785	12/31/85	Letter from Ethan L. Bauman, Esquire to John Church, Esquire
IIIH19 pp 2786 - 2788	3/19/82	Promissory Note for $500,000
IIIH20 pp 2789 - 2799	11/18/83	Memorandum from Jeffrey S. Fine to William S. LeCompte, Jr.; Memorandum regarding March 19, 1982 MSD Associates Promissory Note; Memorandum entitled "Gibraltar B/L 9/30/83";Letter dated November 8, 1983 from Jeffrey S. Fine to Ms. Diane White; Memorandum dated 10/24/83 from Diane C. White to File/Examiners; Memorandum dated 12/9/82 from Diane to LBG; Letter dated December 22, 1982 from Diane C. White to Mr. Steven Hurwitz
IIIH21 pp 2800 - 2806	12/7/83	Case Index/Worksheet re Gibraltar S&L Possible breach of fiduciary duty; S&L Inquiry; Memorandum from Jeffrey S. Fine to William S. LeCompte, Jr.; Memorandum regarding March 19, 1982 MSD Associates Promissory Note; Memorar entitled "Gibraltar B/L 9/30/83"
IIIH22 p 2807	9/30/83	Document entitled Gibraltal Service Corporation as of Sept. 30. 1983
IIIH23 p 2808		Gibraltar Building and Loan Association Comments 16 to 20
IIIH24 p 2809	9/30/83	Response to Comments in Report of Examination of Gibralta Comments 16 to 18, Page 8
IIIH25 pp 2810 - 2813	2/4/85	Memorandum from Dean Digiondomenico to Paul V. Trice
IIIH26 pp 2814 - 2826	6/83	Bankers' Appraisal Service, Inc. Appraisal Report Dated June, 1983
IIIH27 p 2827	11/18/83	MSDL Partnership Comment 2B

III(I)1 pp 2828-2562		Memorandum of Plea Negotiations and Statement of Facts, State of Maryland vs. Francis T. Peach, Jr., Case No. 83 CR 3200 Circuit Court for Baltimore County
III(I)2 pp 2863-2870	4/10/84	Letter from Assistant Attorney General John C. Cooper to Charles H. Brown, Jr., Director; Letter dated February 14, 1984 from Charles C. Hogg, II, President, to Mr. Barry J. Benbaum, Vice President; handwritten notes

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

REGULAR MEETING OF DIRECTORS

WEDNESDAY, MARCH 23, 1983

The regular monthly meeting of the Board of Directors of Maryland Savings-Share Insurance Corporation was held at the offices of the Corporation, 901 North Howard Street, Baltimore, Maryland on March 23, 1983.

The following Directors were present:

Frances F. Anderson
Leonard Bass
Joseph P. Carroll
Michael J. Dietz
Jerome F. Dolivka
John C. Donohue, Sr.
Henry R. Elsnic
John D. Faulkner, Jr.
James D. Laudeman, Jr.
Judith H. Miles
Terry L. Neifeld

Others Present: Charles C. Hogg, II, Executive Vice President; Ralph K. Holmes, Senior Vice President; Paul V. Trice, Jr., Vice President; Martin W. Becker, Financial Analyst; Patrick M. McCracken, Administrative Coordinator; Terry F. Hall, Venable, Baetjer and Howard; Charles H. Brown, Jr., Director, Division of Savings and Loan Associations; John J. Pretko and Craig T. Garrison, Union Trust Company of Maryland.

Mr. Faulkner called the meeting to order at 9:26 a.m. and noted that a quorum was present. Mr. McCracken acted as Recorder for Mr. Hogg as Secretary.

Mr. Hogg introduced Mr. Craig T. Garrison from the Trust Department of Union Trust Company and indicated that Mr. Garrison is now filling the role of Harry White concerning the MSSIC and CRF portfolio.

Mr. Pretko reviewed the Investment Reports, and following a general economic narrative, he suggested extending the average maturity of MSSIC's investments from six months to seven-eight months. It was the consensus of the Board that this be done. Messrs. Pretko and Garrison were then excused from the meeting. (Copies of the Investment Reports are attached to the permanent file copy of these minutes.)

Mr. Dietz asked if copies of Mr. Pretko's monthly narrative could be distributed to those Board members interested in receiving them. Mr. Faulkner requested that Mr. Hogg pursue this request.

Mr. Neifeld noted that his notes from the previous Board Meeting did not indicate that Chevy Chase Savings and Loan, Inc. had been among those granted a waiver of the late filing of the January 1983 PPR. He asked for clarification regarding their appearance in the minutes of that meeting under the aforementioned section.

Mr. Hogg responded that Mr. Neifeld was correct and that a correctio to the February 23, 1983 minutes striking Chevy Chase from the waiver section will be noted and waiver of that penalty will be placed on today's meeting agenda.

Mr. Dietz motioned to waive the reading of the minutes of February 23, 1983 Regular Meeting of Directors as amended and Mrs. Anderson seconded the motion. Upon a vote the motion was passed unanimously.

During a review of the Treasurer's Report Mr. Hogg stated that in follow-up to Mr. Neifeld's comments of last month we have moved completely to full accrual.

Mr. Neifeld asked why Special Deposit Fund interest should not be netted out of the MSSIC monthly financial statement. Mr. Hogg suggested that Mrs. Anderson and Messrs. Neifeld, Kohr and he discuss this adjustment following the Board Meeting.

Mr. Hogg indicated that several members (Kent, Hopkins, Westowne, Baltimore American, Ellwood, Northfield and Enterprise) were late in submitting their Capital Deposit adjustments. He further stated that due to the penalty of 6% for late filing, the total amount of all penalties involved was not significant. The total was $155.92.

Mr. Elsnic made a motion that a waiver of the penalty for late submission of Capital Deposit Funds for the above mentioned member associations be granted. Mr. Laudeman seconded the motion which was carried unanimously.

Following this Mr. Dietz made a motion to accept the Treasurer's Report to which Mr. Bass added a second. Upon a vote the Treasurer's Report for the period ending February 28, 1983 was unanimously accepted. (A copy of the Treasurer's Report is attached to the permanent file copy of these minutes.)

Mr. Elsnic reviewed the March 9, 1983 Membership Committee Meeting Minutes. During this review he noted that $6-$10 million or more of the loan portfolio of First Maryland Savings and Loan, Inc. appears to be for out-of-state properties. He also indicated that it was the recommendation of the Membership Committee to the Board that Chesapeake Savings and Loan Association's conversion to stock be approved subject to the approval of the Director of the Division of Savings and Loan Associations.

Mr. Neifeld motioned that the minutes of the Membership Committee Meeting of March 9, 1983 be accepted. Mrs. Anderson seconded the motion and it was passed unanimously. (A copy of the Membership Committee Minutes is attached to the permanent file copy of these minutes).

Mr. Laudeman made a motion to approve the conversion to stock on the part of Chesapeake Savings and Loan Association subject to the approval of the Director of the Division of Savings and Loan Associations. Mr. Bass seconded the motion. During a discussion of the motion, Mr. Dolivka suggested amending the motion to include a delay in entering into an insurance agreement which he indicated is required under Section 3-211(C)(2) of the MSSIC Rules and Regulations. Chesapeake's net worth to savings ratio as of 2/28/83 equals 2.02%, which is under the mandatory 3% requirement. Upon a vote the amended motion passed with Ms. Miles abstaining. Mr. Dolivka made note of June 1, 1983 as the date which Chesapeake should exceed a 3% net worth to savings ratio.

Paul Trice reported the following on Ridgeway Savings and Loan Association:

1. He anticipated receiving an executed hypothecation agreement in the amount of $50,000 on Monday, March 28, 1983.

2. He also anticipated receiving on that same date a contract of sale for their office building located at 9095 Frederick Avenue, Ellicott City, Maryland.

3. He noted that because the sale of this building is a related party transaction, it requires the approval of the Director of the Division of Savings and Loan Associations.

4. He said this transaction should take place within a matter of 30 days and should result in a gain of $50,000 profit on the sale.

5. He indicated that the combined increase of $100,000 in net worth should elevate this association's current net worth to savings ratio from its current 1.94% (as of 2/28/83) to approximately 25 basis points above 3%.

In response to questions Mr. Trice indicated that Ridgeway has had one independent appraisal done on their office building and that the contract of sale had no buy back provision. He said that he would ascertain on 3/28/83 the amount of rental which would be charged to the association following the transaction.

Mr. Brown stated that Mr. Farnandis, President of Ridgeway, has asked for a conference to discuss the possible conversion to stock of his association. To this Mr. Trice added that this proposed conversion would be four to six months away and that it was his understanding that Mr. Farnandis intended to carry out the entire conversion himself with no outside assistance.

Mr. Dolivka noted that the entire question of Ridgeway's net worth should be resolved by April 30, 1983.

Hearing no Old Business, Mr. Faulkner moved to New Business.

Under New Business Mr. Hogg indicated that together with the previously noted addition of Chevy Chase Savings and Loan, Inc., the following associations requested a waiver of the penalty for the late filing of the Periodic Performance Report:

Columbian Building Association
Enterprise Building and Loan Association
Liberty Savings and Loan Association
Parkwood Building and Loan Association
Westowne Savings and Loan Association

With the indication that the above listed associations were eligible for a waiver, Ms. Miles made the motion that waivers be granted. Mr. Elsnic seconded the motion and the vote was unanimously favorable.

Following Mr. Hogg's report of the Nominating Committee Meeting (minutes for which had previously been distributed), Mr. Laudeman motioned that the Board accept and thereby approve for nomination the following persons for a four year term as directors beginning in April 1983.

Those nominated were:

Michael J. Dietz
Terry L. Neifeld

Mr. Dolivka seconded the motion and the vote was favorable with Messrs. Dietz and Neifeld abstaining. (A copy of the Minutes of the March 10, 1983 Nominating Committee meeting is attached to the permanent file copy of these minutes).

Under the report of the Executive Vice President, Mr. Hogg gave the following review of his meetings with the management of the seven members listed.

1. Community Savings and Loan, Inc. - visited on February 17, 1983 and reports that the stock swap with their subsidiary EPIC should bring them into net worth compliance by March 31, 1983.

2. First Maryland Savings and Loan, Inc. - visited on February 28, 1983 and held a subsequent meeting with their counsel and expects them to sign an insurance agreement on March 28, 1983.

3. Chesapeake Savings and Loan Association - visited on March 3, 1983. He said that the Board has acted today to approve this association's conversion to stock and that he anticipated slower but controlled growth.

4. John Hanson Savings and Loan, Inc. - visited on March 4, 1983 and they intend selling $3 million in additional stock. Thereafter, the association should continue to grow while maintaining a positive spread.

Mr. Dolivka asked what date John Hanson anticipated the sale of this additional stock to take place. Mr. Hogg indicated that he would seek an answer to that question.

5. Friendship Savings and Loan, Inc. - visited on March 18, 1983 and they expect to reach a breakeven point in March or April. They are exploring subordinated debentures. They have a good discounted loan portfolio and they recognize the need to diversify their deposit gathering ability outside of a highly sophisticated savings marketplace. They have enhanced their data processing. In conclusion, Mr. Hogg said that he was now more comfortable with the situation at Friendship, although further growth in net worth is required.

6. Municipal Savings and Loan Association - visited on March 20, 1983 and he said it appears this association is a well organized, well run company which has grown rapidly and does not have a lot of sources of capital. They are preparing a detailed letter to the MSSIC Board.

Mr. Dietz noted that he understood that Municipal's attempt to convert to stock had been defeated by the depositors of the association.

7. Second National Building and Loan, Inc. - visited on March 22, 1983. He said they are doing very well in that their earnings in 1982 were positive and very strong. They are actively exploring the sale of additional stock as well as subordinated debentures. They have submitted a formal request to the Division regarding acceptance of Appraised Equity Capital. They feel somewhat stuck with a 10% passbook in a declining rate environment which is squeezing their profit margin. They would like to reduce this rate in order to relieve the pressure.

Mr. Hogg indicated that he had not yet met with Fairfax, Eastern and Custom because he felt the low net worth associations were a priority.

Mr. Neifeld expressed concern regarding the implementation of insurance agreements in cases where a member's net worth declines to 3% or less. He cited Municipal Savings and Loan Association specifically.

Mr. Hogg responded that he would agree it is time to implement more rapid compliance with the net worth requirements.

Mr. Dolivka added his concern regarding Section 3-211(C)(2) which he read into the record of the meeting:

"(C) If the total net worth of a member association declines to 3.00% of the aggregate withdrawal value of its free share accounts on the last day of its fiscal quarter or any month, the member shall be required by the Board of Directors of the Corporation to enter into an Insurance Agreement."

Mr. Dolivka said that avoidance of the regulation could be a serious mistake and that the Board ought to act in this regard. He suggested setting up definite dates on which compliance with the requirement to exceed 3% or enter into an Insurance Agreement will be effective. He reviewed three dates he had recorded:

First Maryland Savings and Loan, Inc. - 3/28/83

Ridgeway Savings and Loan Association - 4/30/83

Chesapeake Savings and Loan Association - 6/1/83

Mr. Hall commented that one of the problems with this rule concerns the definition of an insurance agreement. Mr. Hall indicated that perhaps the meaning of "an insurance agreement" could be clarified, however, the further defining of the term could prove to be counter-productive as well as limiting. He said it is a problem of practicality. Mr. Hall went on to explain certain standard provisions which may be included in an Insurance Agreement as follows:

- requiring a budget proposal
- limiting the member's ability to merge
- control of capital expenditures and other extraordinary activities
- default provisions
- consent to cease and desist orders
- granting MSSIC the right to negotiate merger

Mr. Hall concluded by stating that 90% of an insurance agreement is standard to the industry.

Mr. Hogg said that staff notifies members of violations, but we have not necessarily quickly entered into insurance agreements.

Mr. Bass commented that there is a need to be more flexible.

Mrs. Anderson said that she believed we could have both flexibility and an insurance agreement.

Mr. Laudeman suggested a possible solution as having all members sign an insurance agreement which triggers at 3%

Mr. Hogg indicated that North Carolina Savings Guaranty Corporation has an insurance contract which works similarly to Mr. Laudeman's suggestion.

Mr. Faulkner said that FSLIC has a similar plan. He added that everyone agrees with Mr. Dolivka in principle. He said that the staff maintains a open dialogue very closely with the members who are in violation of the net worth requirement. He indicated that he felt that staff in a more normal environment will proceed to implement insurance agreements as they are required.

Mr. Holmes indicated that he would sooner see some type of change in the rule to allow for greater flexibility and a change in the rigidity of 3%.

Mr. Hogg concluded this discussion by stating that staff will draft some alternatives to the rule and present them to the Board.

Mr. Hogg reviewed the proposed Service Corporations Reporting System and said it will indicate the impact service corporations have on the parent.

Mr. Neifeld inquired as to the number of member savings and loans which currently have service corporations.

Mr. Trice responded that 20-25 MSSIC associations currently have one or more service corporations.

Mr. Hogg asked for the Board's authority to proceed with this reporting system and make it mandatory with the penalties to be the same as the late filing of the PPR. Mr. Neifeld made the motion to authorize the requested action and Mr. Dolivka seconded it. Upon a vote the motion was passed unanimously.

Mr. Faulkner commented that across the country savings and loan associations are gearing up in service corporations and this represents increased risk. Therefore, he noted the preceding action by the Board was very appropriate and important.

Messrs. Hogg and Hall gave a very extensive report regarding th efforts and difficulties encountered thus far in pursuit of a Central Investment Fund for members. They stated that this issue required furth study and that they were pursuing it actively.

Mr. Hogg said that we need to find a way to reduce the cost of being a member of MSSIC, because we are now more than ever competing with FSLIC to be the savings insurance company of our members. Mr. Hogg propo that a committee to study MSSIC premium restructuring be formed. Names h suggested included Messrs. Neifeld, Laudeman, Otto and Moore. Mr. Hogg also mentioned that this committee should include an outside person with expertise in actuarial statistics and someone who is familiar with establishing premiums based on risk levels.

Mr. Laudeman motioned that a Premium Restructure Committee be established allowing the selection of members to be that of the Chairman of the Board. Mr. Bass seconded the motion and it was passed unanimously. Mr. Hogg forewarned the Board that this was a technically difficult assignment and that his projected time frame is 60 days before any recommendatio will be given to the Board.

At this point Mr. Carroll left the meeting; therefore, he did not participate in any further Board action or discussion.

Mr. Hogg gave a report on his and Mr. Trice's attendance at a recent Board of Directors meeting at Enterprise Savings and Loan Associatio The major concern expressed by that association's board dealt with an increase in the Capital Deposit due to savings growth as of 12/31/82 an fairly drastic decline in savings in January and February of 1983. Following a discussion of this matter it was the consensus of the Board that staff study this further and proceed as it feels is appropriate.

Mr. Hogg commented that one issue which has delayed First Maryland from signing the most recent version of the insurance agreement is a grace period on the default provisions. He said that they have agreed to sign the insurance agreement containing minor revisions on Monday, March 28, 1983. He said he would meet with the association's attorneys on March 24, 1983.

Mr. Holmes stated that most of the points from the Board of Commissioners meeting have already been covered by comments made during this meeting.

Mr. Hogg reviewed the following details concerning the MSSIC line of credit:

- the total line will be in the $50-$65 million range
- First Chicago is willing to take 80% of total (Mr. Hogg said he was not entirely comfortable with that idea).
- Riggs is going to stay in
- Union Trust is going to stay in
- Equitable is having problems with pricing but he expects them to stay in
- Maryland National is having a problem with collateral and terms of notes
- Mellon - has expressed a strong interest at lending officers level in entering
- Mercantile - Phil Jones is presenting a $5 million entry to his lending committee

Mr. Hogg said he has been having talks with Travellers about longer term facilities for $50 million. He said Travellers will probably want a one year phase in period extending $25 million until they get used to us.

Mr. Hogg concluded his remarks by indicating that by April 30, 1983 we will enter our bank credit line agreement for at least $50 million.

Mr. Hogg requested a resolution from the Board authorizing the Executive Vice President or any Assistant Secretary to act on behalf of the Corporation in the completion of the Loan Agreement, as follows:

"RESOLVED, that the Executive Vice President and any Assistant Secretary of Maryland Savings-Share Insurance Corporation (the "Corporation") be, and they are hereby, authorized, empowered and directed, in the name and on behalf of the Corporation, to (i) negotiate, execute, and deliver to the banking institutions listed on the Term Sheet attached hereto as Exhibit A and The First National Bank of Chicago as Agent, a Loan Agreement which shall incorporate substantially the terms set forth on the attached Term Sheet, and such other terms and conditions as such Executive Vice President and Assistant Secretary shall, in their sole discretion, deem appropriate, and (ii) execute and deliver such documents, and take such other action, as shall be necessary for the Corporation to fully perform under the terms of such Loan Agreement and any documents described therein.

FURTHER RESOLVED, that any Assistant Secretary of the Corporation is hereby authorized, empowered and directed to certify to the aforesaid banking institutions and Agent a copy of these resolutions and the specimen signatures of the aforesaid officers of the Corporation and to certify that such banking institutions and Agent may consider such officers to be in office and these resolutions to remain in full force and effect until written notice to the contrary shall be given by the Corporation in the manner provided in the aforesaid Loan Agreement."

The approval of this resolution was motioned by Mr. Dietz, seconded by Mr. Laudeman and upon a vote unanimously approved.

At this point Mr. Donohue left the meeting; therefore, he did not participate in any further Board action or discussion.

Mr. Becker entered the meeting and reviewed the Net Worth Comparison Update. During this review there was a discussion on Atlas Savings and Loan Association being used as a conduit for Jumbo CD's for Sharon/Security Savings and Loan. Another discussion also occurred in reference to Bay State Savings and Loan Association's drop in net worth due to savings growth. Mr. Holmes said he had discussed additional capitalization plans with Bay State.

Mr. Neifeld asked what consideration had been given to the methods and procedures used in accruing interest on those long term certificates which pay simple interest at maturity and also of the potential liability to the Corporation in the event of default. He further inquired as to what effect these types of savings instruments, when considered with the potential dividend liability, might have on the reserves/net worth of those members offering them.

Mr. Faulkner agreed that these areas of concern represented increased risk to the Corporation. To answer Mr. Neifeld's questions Mr. Faulkner asked Mr. Hall to review and develop our legal position regarding accrued interest and asked staff to gather sufficient data to determine the accounting treatment practiced in the industry through a supplement to the PPR.

Mr. Becker was then excused from the meeting.

Mr. Hogg stated that Mr. Hall has prepared a ten page opinion related to the issue of members' advertising.

Mr. Hall reviewed this opinion which he said he had not signed at this point because he did not want to inadvertently restrict or inhibit this Board by signing an opinion. He added that if after consideration of the many points and ramifications of the unsigned document the Board wished him to formalize it with his signature, he would with no reservations.

Some of the material Mr. Hall reviewed regarding the members' advertising was as follows:

1. Current regulations (MSSIC's, the Division's, and Commercial Law) have a common thread which regulates against "False, misleading or deceptive" advertising.

2. MSSIC has four alternatives to violations:

   a. issue a cease and desist order

   b. issue a temporary cease and desist order

   c. expel the member

   d. bring suit and file an injunction against the member

3. His overview is that the current rules are in a place to deal with the problem.

4. His future view is that:

   a. anti-trust provisions make control of rate advertising extremely difficult

   b. guidelines of advertising could be made into regulations but this action may not prove practical re: enforcement and monitoring

5. His summary is that rate control not be contemplated but that regulations similar to the already published guidelines be considered as an alternative.

Mr. Hogg said that he would prefer to operate as staff currently does by contacting the guideline violators and taking appropriate measures.

Mr. Laudeman indicated that the flexible view of guideline violations was to address them in general or in specific instances.

Mr. Hogg stated that he has asked Mr. Beason, President of North Carolina Savings Guaranty Corporation to be the dinner speaker at this year's MSSIC Annual Meeting. He also indicated that photocopies of the financial statements from Touche Ross & Co. will be mailed to the members with an informational letter concerning the particulars of the Annual Meeting.

Mr. Hogg discussed with the Board a change to the MSSIC By-Laws - Subtitle IV, Section 2-401 through 2-409 inclusive. This section addresses the matter of officers of the corporation and relevent information which applies thereto. Mr. Hogg indicated that this section was not controversial at the December 1, 1982 Special Meeting of Members. He asked for the Board's authority to bring the revision of this subtitle before the Annual Meeting as a matter of additional business. Mr. Laudeman made a motion to that effect to which Ms. Miles added a second. Upon a vote the motion was passed unanimously.

Mr. Hogg related recent events regarding Baltimore Life Insurance Company's desire to use the space currently occupied by the offices of the Corporation and their therefore negative response regarding the Corporation's renewal of its five year lease option. He indicated that following further study and possible non-binding negotiations staff will be forthcoming with recommendations as to action.

Mr. Holmes reviewed the cost of the recent Cole-Rapp Seminars and indicated that it ran slightly over budget. He also expressed his disappointment regarding those persons invited and expected who did not attend nor notify us of their inability to do so.

Mr. Neifeld asked if the dollar figures given as the cost of the Cole-Rapp Seminars included the staff's hours expended in the preparation and execution of the program.

Mr. Holmes stated that they did not; however, he said the time expended was minimal.

2414

Mr. Holmes said that a questionnaire as the the usefulness of the seminars will be sent to the attendees approximately 30 days following the conclusion of the second part of the program.

Mr. Hogg stated that the staff believes the program was worthwhile and looks forward to feedback.

Mr. Hogg indicated that the MSSIC staff will do a complete review of the membership on Thursday, March 31, 1983.

Mr. Neifeld asked for a copy of the minutes in which fee structures for committees of the Corporation was last studied by the Board.

Mr. Hogg answered that staff will research that action and supply Mr. Neifeld with the minutes in which said action took place.

Mr. Hogg distributed baseballs which were provided by Mr. Donohue in recognition of the Corporation's recent contribution to United Cerebral Palsy Foundation.

Mr. Faulkner asked for a motion to adjourn. Mr. Bass made the motion and the meeting adjourned at 12:53 P.M.

Charles Hogg II

Secretary of the Meeting

CCH/PMM/pat

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

REGULAR MEETING OF DIRECTORS

WEDNESDAY, MAY 25, 1983

The regular monthly meeting of the Board of Directors of Maryland Savings-Share Insurance Corporation was held at the offices of the Corporation, 901 North Howard Street, Baltimore, Maryland on May 25, 1983.

The following Directors were present:

Leonard Bass	Henry R. Elsnic
Joseph P. Carroll	John D. Faulkner, Jr.
Michael J. Dietz	James D. Laudeman, Jr.
Jerome F. Dolivka	Judith H. Miles
John C. Donohue, Sr.	Terry L. Neifeld

Absent and Excused: Frances F. Anderson
Others present: Charles C. Hogg, II, Executive Vice President; Ralph K. Holmes, Senior Vice President; Paul V. Trice, Jr., Vice President; Patrick M. McCracken, Administrative Coordinator; Terry F. Hall, Venable, Baetjer and Howard; John J. Pretko and Craig T. Garrison, Union Trust Company of Maryland.

The meeting was called to order at 9:28 A.M. and a quorum was noted as present.

ELECTION OF OFFICERS AND APPOINTMENT OF COMMITTEES

A list of corporate officers, committees and members, all of which were proposed, was distributed. (A copy of this list is attached to the permanent file copy of these minutes.)

Discussion of the proposed slate of corporate officers included the statement that since the former Secretary had resigned from the Board and the former Treasurer was ineligible, they were to be replaced by the persons so recommended.

IIIG2

2436

After discussion, Mr. Laudeman moved to accept the list of corporate officers for a one (1) year term. Mr. Carroll seconded the motion.

The vote on this motion was unanimously favorable.

The proposed committees and their members were then discussed. Comments included:

- an Audit Committee is a good corporate practice that we should institute.

- the By-Laws require that the Membership Committee should be composed of representatives and that the majority of this committee's members also be Board members.

It was indicated that MSSIC has received seven (7) letters of recommendation for persons to be considered as nominees for the vacant board position. Those associations and the individuals they nominated are as follows:

1. Admiral-Builders Savings and Loan Association - Judith H. Miles.
2. Chesapeake Savings and Loan Association - Arthur L. Silber.
3. Gibraltar Building and Loan Association - Lawrence B. Goldstein.
4. Gibraltar Building and Loan Association - Diane C. White.
5. Parkville Savings and Loan Association - George W. H. Pierson.
6. Regal Savings and Loan Association - Stewart D. Sachs.
7. Second National Building and Loan, Inc. - William F. Brooks, Jr.

Comments on this list included:

- the letters of recommendation from Gibraltar and Second National are approximately a year old, Admiral-Builders came in yesterday, and the remainder have been received during the last four months.

Mr. Neifeld moved to approve the listed Executive Committee.

Mr. Bass seconded. The vote was unanimously favorable.

Mr. Dolivka moved to approve the listed Membership Committee. Mr. Carroll seconded. The vote was unanimously favorable.

Mr. Dietz moved to reaffirm all other committees and their respective members as listed. Mr. Bass seconded. Discussion included:

- a report on the activities of the Strategic Planning Committee should be made to directors.

- the committee was requested by staff to provide guidance on long range planning. This committee has wide ranging discussions with few immediate conclusions. When they are able to focus on specifics, reports to the Board will be made. The purpose of the Strategic Planning Committee will be drafted, but currently some items under consideration by this committee include:

-- assessing the impact of deregulation

-- considering what services MSSIC can provide

-- reviewing possible data processing for MSSIC members

Thoughts regarding the Audit Committee were solicited.

- Frances Anderson was recommended as the chairman of this committee and renaming the committee the Audit and Budget Committee was recommended.

- There was considerable discussion about the composition of this committee and one suggestion was that the three (3) public members could be the members of this committee.

Following discussion it was the sense of the Board that the Chairman should appoint the members of the Audit and Budget Committee.

The discussion on the motion to reaffirm those committees as yet unapproved having been completed, a vote was taken. The result was unanimously favorable.

INVESTMENT REPORTS

Messrs. Pretko and Garrison entered the meeting. A general economic narrative which had been distributed was read and the Investment Reports were reviewed. (Copies of the economic narrative and Investment Reports are attached to the permanent file copy of these minutes.)

Following a discussion Messrs. Pretko and Garrison were excused from the meeting.

EXECUTIVE SESSION

The Board then held a discussion in executive session which was related to an earlier item on the agenda.

READING OF PREVIOUS MINUTES

The minutes of the April 27, 1983 Regular Meeting of Directors had been previously distributed, and Mr. Hogg requested discussion regarding them. This discussion was based primarily on the amount of detail appropriate for the minutes, as well as the style used in preparing the minutes, i.e., summation or transcript. It was determined that staff would continue to refine the methods used, and that this topic would be continued to be discussed. A general, but not final, consensus was that a more summary, less narrative style would be used. Important or controversial issues would be clearly outlined.

Mr. Laudeman moved that the reading of the minutes of the April 27, 1983 Regular Meeting of Directors be waived. Mr. Dietz seconded. The vote was unanimously favorable.

A statement was made that the minutes of the Annual Meeting

(4/28/83) will not be adopted until they are edited and summarized.

The minutes from the Informal Minutes of Directors (4/28/83) which preceded the Annual Meeting were requested.

TREASURER'S REPORT

The Treasurer's Report for the period ending April 30, 1983 was reviewed and discussed. (Copies of the Treasurer's Report noted above are attached to the permanent file copy of these minutes).

Mr. Dietz moved that this Treasurer's Report be accepted. Mr. Bass seconded. The vote was unanimously favorable.

MEMBERSHIP COMMITTEE REPORT

The Membership Committee Minutes were then reviewed and discussed. (A copy of the Membership Committee Minutes are attached to the permanent file copy of these minutes.

Mr. Dolivka moved that these minutes be accepted. Mr. Carroll seconded. The vote was unanimously favorable.

OLD BUSINESS

A preliminary insurance agreement was discussed. It was noted that the phase "hereinafter corrective action" should be deleted and that the phase "shall on the date immediately following" should be changed to "shall on demand".

Mr. Carroll moved that this Preliminary Insurance Agreement be adopted with the above noted changes. Mr. Neifeld seconded. The vote was unanaimously favorable.

NEW BUSINESS

2420

The following associations requested a waiver of the penalty for the late filing of the Periodic Performance Report:

Senator Savings and Loan Association
John Hanson Savings and Loan, Inc.
Ellwood Permanent Building and Loan Association
Glenmore Permanent Building and Loan Association
LaCoronna Building and Loan Association
New M. ichaels Permanent Savings and Loan Association

Mr. Carroll moved that a waiver of the penalty for late filing of the PPR be granted to the six associations listed above who requested said waiver. Mr. Laudeman seconded. The vote was unanimously favorable.

A memo regarding a special meeting of members was read into the record of these minutes. (A copy of this memo is attached to the permanent file copy of these minutes.)

Following a discussion of this special meeting, Mr. Dietz moved that a vote be allowed at that meeting on the proposed revision to Section 2-202 of the MSSIC By-Laws. (This motion included adoption of the plan submitted by staff.) Mr. Neifeld seconded. The vote was unanimous.

After additional discussion on this special meeting it was the consensus of the Board that the meeting be held June 15, 1983 at the Belvedere.

REPORT OF EXECUTIVE VICE PRESIDENT

A report was given on a meeting between staff and Touche Ross & Co.

A discussion ensued regarding MSSIC insurance being used in connection with the offering of tax exempt obligations. It was the sense of the Board that this matter be tabled.

Following a lengthy discussion of a veto hearing on HB 284, Mr. Dietz moved approval of a statement to be made by Mr. Hogg that MSSIC is interested in any power which would provide parity for MSSIC members with federal associations, but not in favor of damaging the authority of the Board of Savings and Loan Commissioners' power to regulate investments by member savings and loans. Mr. Carroll seconded.

After additional discussion, a vote was taken. The results of the vote were: Five (5) in favor, Messrs. Elsnic and Bass opposed, Mr. Neifeld abstained.

Consideration of three (3) selected MSSIC Rules and Regulations was then undertaken.

Section 3-203(E). Reports-Audits-Confidential Information.

The Board agreed to change its method of operation and to automatically waive and penalize per the regulation. This would make requesting a waiver on the part of the members unnecessary.

Section 3-213. Dividends.

Mr. Neifeld moved that this rule be removed. Mr. Carroll seconded. The vote was unanimously favorable.

Section 3-307. Adjustments.

Mr. Neifeld moved that this section be rewritten to parallel the amount of penalty in this section with Section 3-901(B)(3).

A short review was given regarding MSSIC's tax status.

A report was given on the following associations regarding their net worth position and rules compliance:

Municipal Savings and Loan Associations
Chesapeake Savings and Loan Association
John Hanson Savings and Loan, Inc.
Friendship Savings and Loan, Inc.

Mr. Elsnic moved that Liberty Savings and Loan Association, Friendship Savings and Loan, Inc., Ridgeway Savings and Loan Association, John Hanson Savings and Loan, Inc., Chesapeake Savings and Loan Association and Municipal Savings and Loan

Association, all associations under 3% net worth, be required to enter into an insurance agreement and that this action take place before the next scheduled Regular Meeting of Directors on June 22, 1983. Mr. Dolivka seconded.

It was explained that this action would be extremely difficult from a staff timing standpoint because it will involve negotiations in every case. It was then suggested that instead, all associations at or below 3% net worth which are not currently under an insurance agreement will be notified of the need to enter said agreement and such negotiations will be initiated prior to the scheduled June 1983 Board Meeting. The motion was then passed.

A brief report was given on the most recent Board of Commissioners Meeting.

A brief report was given on the first Premium Restructure Committee Meeting.

It was reported that the first regional luncheon with a small group of members is scheduled for June 3, 1983.

Friday, August 19, 1983 was said to be MSSIC baseball night at Memorial Stadium. Forty people can attend a Bullpen Party and ballgame as guests of WMAR-TV.

Following a discussion and restructuring, Mr. Neifeld moved that the following resolution be adopted by the Board:

RESOLVED, that it is the policy of the Maryland Savings-Share Insurance Corporation to insure all accrued but unpaid interest on the insured savings accounts of its member associations to date of default ("insured savings accounts" being defined herein as including all certificates of deposit, jumbo certificates of deposit and other accounts lawfully offered by member associations), provided, however, that no account (whether consisting of principal or principal and interest, whether paid or unpaid) shall be insured in excess of $100,000.

Before adjournment, discussion was held on the divisiveness in the MSSIC industry and to some extent the extension of this to the Board. It was also said that the actions of the Board have a lot to do with what the membership does. Another statement was made that there is a high level of misunderstanding in the MSSIC industry which is affecting the corporation. Directors were asked to reflect on this situation.

Mr. Bass moved that the meeting adjourn. After a second, the meeting adjourned at 1:42 p.m.

Charles C. Hogg II
Secretary of the Meeting

CCH/pat

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS

ONE SOUTH CALVERT STREET
BALTIMORE, MARYLAND 21202

REPORT OF EXAMINATION

OF

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
Name of Association

9095 FREDERICK ROAD
Street and Number

ELLICOTT CITY, MARYLAND 21043
City State Zip Code

As of Close of Business

FEBRUARY 28, 1983
Month, Day and Year

THIS EXAMINATION AND REPORT HAS BEEN PREPARED BY THE DIVISION OF BUILDING, SAVINGS AND LOAN ASSOCIATIONS OF THE STATE OF MARYLAND FOR ITS OFFICIAL USE. A COPY IS LOANED TO THE DIRECTORS AND OFFICERS OF THE ASSOCIATION (AND THE MARYLAND SAVINGS - SHARE INSURANCE CORPORATION WHERE APPLICABLE) FOR THEIR CONFIDENTIAL INFORMATION AND IS NOT TO BE PUBLISHED IN WHOLE OR IN PART.

REVIEWED BY:	[illegible]
[illegible]	
CHECKED BY:	
RE-CHECKED BY:	

SUPERVISORY LETTER MAILED	
ASSOCIATION REPLY REC'D	9/13/83

IIIG3
2425

FORM DLR BSL #1 8-80/81-192

EXAMINER'S COMMENTS

Ridgeway Savings and Loan Association

Comment 1:

An examination of the files of the mortgage loans granted during the period of February 1, 1982 through February 28, 1983 revealed the following:

A. Loan files Nos. 862, 864, 865 and 866 did not contain applications as required by Regulation .29A(2)(a).

B. Loan files Nos. 857, 862, 864, 865, 866, 869, 871, 879, 883 and 888 did not contain appraisal reports as required by Regulation .29A(2)(b).

C. Loan files Nos. 856, 862, 864 and 866 did not contain a memorandum of settlement as required by Regulation .29A(2)(c).

D. Loan files Nos. 855, 860, 861, 868, 869, 870, 871, 873, 881 and 888 did not contain the original of the current insurance policies as required by Regulation .29A(2)(d).

E. Loan files Nos. 856, 862, 864, 865, 866, 868, 870 and 871 did not contain a certification of title as required by Regulation .29A(2)(e).

F. Loan files Nos. 856, 864, 869, 883 and 888 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

Comment 2:

An analysis of the subsidiary mortgage loan records reflected the existence of seven delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $295,710.63 as of the date of the current examination, representing a delinquency ratio of 4.9% of the total mortgage loan balances outstanding. Unpaid interest on these delinquent accounts amounted to $11,793.57.

A review of the loans subject to comment scheduled on Page 9 of this report reflected that loan No. RM 662 was granted July 29, 1977 for $40,700.00. As of the date of examination, 6 years later, the outstanding balance remains $40,700.00.

Comment 3:

Commercial Law Article 12-109.1(b) states:

"(b) If there is periodically an overage in the escrow account the borrower shall be given at least annually the option of receiving a refund of the overage, applying the overage to the payment of principal and interest or of leaving the overage in the escrow account. A refund of the overage shall be made within 60 days of the receipt of the request by the lender. If the borrower fails to notify the lender of his intent within 60 days from the date the lender mailed notice of an overage, the lender shall return any overage to the borrower promptly. (1978)"

2426

Comment 3: (Cont.)

There is no evidence that the association is complying with the above stated law.

Comment 4:

An examination of the records supporting free share loans revealed the following:

A. The annual rate of interest being charged on share loan No. 309 was not reflected on the note supporting this loan.

B. The passbook securing loan No. 309 was not in file.

Comment 5:

An examination of the books, records and accounting practices revealed the following:

A. The total of the subsidiary free share accounts was $1,110.19 less than the control account "All Savers - Rolling Rd." in the general ledger.

B. The total of the subsidiary free share accounts was $5,286.57 more than the control account "6% Savings - Rolling Rd." in the general ledger.

C. The total of the subsidiary records for the certificate invested in Eastern Savings & Loan was $255.75 less than the general ledger control for this account. It was further noted that the association recorded the dividend earned on this certificate to "Interest Earned" for $255.75 more than actually earned, creating this variance and overstating their earnings.

A correction should be made to properly reflect the earnings and the balance on this certificate.

D. The general ledger account entitled "Money Order Exchange" is used to record funds received from the sale of money orders.

In February, 1983 the balance in this account was $2,742.26 which was reflected on the association's books as income.

The above amount (as well as all future sales) should be placed in a liability account until these funds are remitted. This procedure will eliminate overstating the association's income as is now occurring on the monthly SL-200 reports.

Comment 6:

A review of the minutes of the meetings of the board of directors revealed the following:

A. The minutes did not reflect a dividend resolution prior to the payment of dividends for the period ending January 31, 1983, as required by Section 9-404(B) of the Financial Institutions Article.

B. Minutes of October 20, 1982 stated:

"Discussion was held regarding annual pay raises and it was decided there would be none due to poor conditions."

2127

On February 25, 1983 secretary Rosemary Tyler's salary was increased approximately 12.1%.

Comment 7:

A review of the association's fidelity bond revealed that the present coverage of $255,000.00 is $20,000.00 less than the $275,000.00 required by Regulation .22B.

Comment 8:

As of the date of the examination, the association's total net worth was $133,401.15, or 1.91% of its savings liability of $6,978,920.08. The association's net worth consisted of the following (as defined in Regulation .40-1A):

Reserve for Bad Debts	$308,533.48
Undivided Profits	(83,059.81)
Current Earnings	(92,072.52)
	$133,401.15

Regulation .40-1B states:

"B. Reserves. In order to maintain the safety and soundness of an association and to assure that the public interest is protected in accordance with Section 9-327 of the Financial Institutions Article, an association shall maintain reserves at all times which exceed 3 percent of its savings liability."

Comment 9:

As of the date of the examination, the association had $100,000.00 invested in unsecured federal funds; this is not a permissible investment under Section 9-419(A) of the Financial Institutions Article.

Comment 10:

On May 1, 1982, the association purchased mortgage loan No. 856 (3036 Straford Street - original amount $18,000.00) at a discount of $750.00. The entire discount was taken immediately into income. Regulation .13 states:

"When an association makes a discount loan, or purchases a loan at a discount, it may take into income in the year in which the loan is discounted, an amount not exceeding 3 percent of the face value of the loan; and the remainder, if any, shall be taken into income ratable over the term of the loan, or over not less than the first 7 years of the loan, whichever term is less."

Based on this regulation, only $540.00 of this discount should have been recorded as current income; the balance should have been deferred per Regulation .13.

Comment 11:

A review of the action taken to correct the exceptions set forth in the prior report of examination revealed that the following comments remain uncorrected:

Comment 1:

D. A review of paid off loans revealed that interest is not paid on the borrowers escrow accounts up to the date of pay-off as required by Section 12-109(b) of the Commercial Law Article.

Comment 2: 2428

An examination of the books, records and accounting practices revealed the following:

Comment 2: (Cont.)

A. The association services loans for others at both offices. Their loan balances should be posted to the general ledger with a contra account as a matter of improved internal control and also so that the balance can be readily ascertained for inclusion in the blanket bond coverage.

INFORMATIONAL COMMENTS:

A. On May 21, 1975, the association granted a first mortgage loan to "Farnandis Farms, Inc." - W. Walter Farnandis, President - in the amount of $20,000.00, @ 9% - 10 years.

On January 31, 1979, this mortgage was paid off; however, the pay-off letter stated, "Leave $100.00 balance on mortgage but close escrow account. Do not close mortgage account."

A review of this account reveals the following:

1. Advances on this mortgage have been made, as follows:

December 1, 1980 -	$6,000.00
December 2, 1980 -	2,000.00
December 10, 1980 -	400.00
December 23, 1980 -	400.00
January 9, 1981-	200.00
September 21, 1981-	9,000.00
	$18,000.00

2. The present balance on the mortgage is $11,000.00;

3. Interest-only payments are being made on this account;

4. The 9% rate represents a sub-market interest rate as of this date (March 21, 1983).

B. A comparative analysis of the financial condition of the association as of February 28, 1983 and January 31, 1982 revealed the following:

	February 28, 1983	January 31, 1982	Increase (Decrease) Dollar Amount	Per Cent
Total Savings	$6,978,920.08	$5,849,965.83	$1,128,954.25	19.3%
Total Net Worth	225,473.67	306,699.38	(81,225.71)	(26.5)
Total Mortgage Loans	6,086,627.99	5,526,094.89	560,533.10	10.1
Total Assets	7,194,678.91	6,149,663.83	1,045,015.08	17.0

2429

INFORMATIONAL COMMENTS: (Cont.)

C. A review of the association's earnings for the calendar/fiscal year ended July 31, 1982 disclosed the following:

		Dollar Amount	% to Net Oper. Inc.
1.	Net operating income (Page 6, Line 1)	$472,625.74	100.0%
2.	Taxes (Page 6, Line 4)	(15,522.00)	(3.3)
3.	Earnings distributed on savings (Page 6, Line 3)	569,373.45	120.5
4.	Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	(81,225.71)	(17.2)
5.	Net income distributed (Total of 2, 3 and 4 above)	$472,625.74	100.0%

24311

NAME OF ASSOCIATION RIDGEWAY SAVINGS - LOAN ASSN

As of Date FEBRUARY 28 1983

Examiners	
KENNETH R HENNEBERGER	9
CHARLES E. ENDRES	9
TOTAL	18

This association post its books Monthly
(daily, weekly, monthly, quarterly)

Does association obtain yearly independent certified audits? YES

On Line? No

FORM: DLR/BSL/#2/8-80/81-192

C/E

Ridgeway Savings - Loan

Attendance - MAN DAYS - EXAMINERS

		Ken	Buck
3-9/83		✓	✓
3/10/83		✓	✓
3/11/83		✓	✓
		—	—
		—	—
3/14/83		✓	✓
3/15/83		✓	✓
3/16/83		✓	✓
3/17/83		✓	✓
3/18/83		✓	✓
—		—	—
—		—	—
3/21/83		✓	✓
	TOTAL	9	9
		18	

2432

Attendance

Savings Accounts Insured by
FSLIC

EXAMINATION AS OF

FEBRUARY 28, 1983

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
Association

9095 FREDERICK ROAD • ELLICOTT CITY, MARYLAND 21043
Address City State Zip Code

Address of Branches

(1) 1124 N ROLLING ROAD BALTIMORE MARYLAND 21228

(2)

Free Share or Savings Accounts

No. 1550 $ 6,179,7[illegible] ~~$ 6,936,[illegible]~~

Mortgage Loans

No. 260 $ 6,096,427.99

FEBRUARY 1, 1955	MUTUAL	JULY 31st	3RD WEDNESDAY IN SEPTEMBER	6% 1/30 7/31 1/31 1/31
Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	Director
(1)	W. WALTER FARNANDIS	6202 OLD COLUMBIA RD	COLUMBIA, ~~[illegible]~~	PRESIDENT	(X)
(2)	FERDINAND ETTEMILLER	2200 N ROLLING RD	BALTIMORE, ~~MARYLAND 21207~~	VICE PRESIDENT	(X)
(3)	CONRAD SIGMON, SR	6800 WINDSOR MILL RD.	BALTIMORE, ~~[illegible]~~ 21207	TREASURER	(X)
(4)	GEORGE HALTER	232 EDRIDGE WAY	BALTIMORE ~~[illegible]~~		(X)
(5)	W WALTER FARNANDIS, III	9106 WINDING WAY	ELLICOTT CITY, ~~MD~~ 21043		(X)
(6)	JOSEPH FREY	7611 MAPLE AVE	SYKESVILLE, ~~MD 21784~~		(X)
(7)	JOHN JOSEPH VAETH, JR	3614 ST. JOHNS LANE	ELLICOTT CITY, ~~[illegible]~~		(X)
(8)	ROSEMARY TYLER	5630 MANOR DRIVE	WOODBINE ~~MD~~ 21797		
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					

Counsel

Name W WALTER FARNANDIS
Address 1124 NORTH ROLLING ROAD
BALTIMORE, MARYLAND 21228

Accountant

Name DAVID W. WAKELEY C.P.A
Address 5790 TEN OAKS ROAD
CLARKSVILLE, MARYLAND 21029

Period of Examination
From MARCH 9 1983 To MARCH 21, 1983

2438

Examiner-In-Charge
CHARLES F. ENDERS

FORM DLR PSL [illegible]

COMPARATIVE PERCENTAGE SUMMARY

	CURRENT EXAMINATION Date Feb 28, 1983 Amount	% to Total Assets	PREVIOUS EXAMINATION Date Jan 31, 1982 Amount	% to Total Assets
1. Total Assets	$ 7,194,678.91		$ 6,149,663.83	
2. Reserve for Bad Debts	308,533.48	4.3 %	$ 308,533.48	5.0 %
3. Undivided profits and surplus	< 83,059.81 >	< 1.2 > %	$ < 1,834.10 >	— %
4. First mortgage loans	$ 6,086,627.99	84.6 %	$ 5,526,094.89	89.8 %
5. Ground rents owned	$ 7,582.55	0.1 %	$ 7,582.55	0.1 %
6. Liquid Assets:				
(a) Cash	$ 222,254.91		$ 168,238.44	
(b) Investments (Securities)	374,812.77		—	
(c) M.S.S.I.C. deposit + CRF	163,300.00		147,500.00	
Total Liquid Assets	$ 760,367.68	10.6 %	$ 315,738.44	5.1 %
7. Slow Assets:				
(a) Slow mortgage loans	$ 295,710.63	4.1 %	$ 368,874.39	5.9 %
(b) Real estate Owned	51,205.00	0.7 %	—	— %
(c) Office Building & Improvements (net)	143,405.79	2.0 %	149,898.29	2.4 %
(d) Leasehold Improvements (net)	704.56	— %	—	—
(e) Furniture & Fixtures (net)	15,148.28	0.2 %	18,195.26	0.2 %
(f)		%		%
Total Slow Assets	$ 506,174.26	7.0 %	$ 536,967.94	8.7 %
8. Borrowed Money	$ 100.00	— %	$ 100.00	— %

	Year Ended July 31, 1982 Amounts	Ratios	Year Ended July 31, 1981 Amounts	Ratios
9. Operating ratios:				
(a) Gross operating income (Item 9, Page 4)	$ 620,224.45		$ 558,032.51	
(b) Total operating expense (Item 25, Page 4 and Item 29, Page 5)	$ 147,538.71		$ 147,[illegible]22.50	
(c) % Operating expense to gross operating income		23.8 %		26.4 %
(d) Net operating income (Item V, Page 5)	$ 472,675.74		$ [illegible]394.01	
(e) Dividends (page 6)	$ 569,373.45		$ 435,158.06	
(f) % Dividends to net operating income		1.2[illegible] ~~1.205~~ %		1.[illegible] ~~1.06~~ %
(g) Total assets at end of fiscal year	6,1[illegible].04 ~~$ [illegible]~~		$ 5,786,998.06	
(h) % Operating expense to total assets		2.4 %		2.5 %
(i) Share liability at end of fiscal year	$ 5,961,643.17		$ 5,212,608.39	
(j) % Net income to share liability		8.1 %		7.8 %
(k) Reserve for Bad Debts	$ 308,533.48		$ 308,533.48	
(l) % Reserve for Bad Debts to Share Liability		5.3 %		5.9 %
(m) Total Net Worth	$ 225,473.67		$ 306,699.38	
(n) % Total Net Worth to Share Liability	2331	3.8 %		5.8 %

Exhibit A

STATEMENT OF CONDITION

Name of Institution BIDGEWAY SAVINGS AND LOAN ASSN. [illegible]

as of FEBRUARY 28, 1983

ASSETS

1. First mortgage loans:		
a. First mortgage direct reduction loans	$ 6,085,[illegible]	
b. First mortgage drop share loans		
c. F.H.A. mortgage loans		
d. G.I. mortgage loans		
e. First mortgage straight loans		
f. Participation loans		
g. Accrued interest receivable on first mortgage loans		
h. Advances for taxes, insurance, etc., on first mortgage loans	1,348.78	$ 6,086,[illegible]
2. Subordinated Liens:		
a. Second Mortgages	$	
b. Accrued interest receivable on second mortgages		
c. Advances for taxes, insurance, etc., on second mortgages		
3. Free Share Account Loans:		
a. Loans secured by accounts of this association	$ 104,479.16	
b. Accrued interest receivable on free share account loans		104,479.16
4. Other loans:		
a. Loans on all other security	$	
b. Unsecured loans		
c. Accrued interest receivable on other loans		
5. Real Estate Sold on Contract:		
a. Real estate sold on contract	$	
b. Accrued interest receivable on real estate sold on contract		
c. Advances for taxes, insurance, etc., on real estate sold on contract		
6. Real estate owned (exclusive of office bldg.)		51,205.00
7. Ground Rents Owned		7,58[illegible]
8. Investments:		
a. Stock in Federal Home Loan Bank	$	
b. Federal Home Loan Bank Securities		
c. U.S. Government obligations		
d. Other investment securities — {CERTIFICATES}	374,812.77	374,8[illegible]
9. M.S.S.I.C. Deposit + Central Reserve Fund		1[illegible]3,300.00
10. Investment - Service Corporation		
11. Cash		
a. Cash on hand	$ 16,400.00	
b. Cash in banks	105,370.91	
c. FEDERAL FUNDS	100,000.00	
d. CASH TRANSFER BETWEEN OFFICES	484.00	222,254.[illegible]
12. Office Building (if owned)		
a. Office building and improvements	$ 163,389.[illegible]	
b. Less allowance for depreciation	19,982.81	[illegible]
13. Leasehold Improvements		
a. Leasehold improvements	$ 782.8[illegible]	
b. Less allowance for amortization	78.78	70[illegible]
14. Furniture, etc.		
a. Furniture, fixtures and equipment	$ 41,577.69	
b. Less allowances for depreciation	26,429.41	[illegible]
15. Deferred charges		
16. Other assets (Schedule 6, Page 14)		25,157.90
17.		
18.		
TOTAL ASSETS		$ 7,194,679.91

2435

FORM DLR/BSL/#6-2/8-80/81-192

STATEMENT OF CONDITION--(Continued)

Exhibit A

CAPITAL AND LIABILITIES

20. Free accounts		
a. Installment share dues credited	$	
Deduct—Delinquent dues (if carried)		
Sub-total	$	
Add—Dividends (unless included in 20-a)		
Net free installment shares		$
b. Savings shares and accounts (payments and dividends)		1,113,710.59
c. Variable Dividend Certificates		2,995,531.68
d. ~~Single payment shares (payments and dividends)~~ LIQUID ASSET		1,995,[illegible]
e. ~~Matured shares (payments and dividends)~~ JUMBO CERTIFICATES		1,000,000.00
f. Hypothecated Share Accounts—Mortgage Loans		
g. Pledged Share Accounts—Free Share Account Loans		104,070.16
h. Income Shares		
i. IRA ACCOUNTS		16,794.03
Total Share Accounts		6,976,610.05
21. Other Accounts		
Christmas Clubs	$ 2310.00	
Vacation Clubs		
Total Other Accounts		2310.00
22. Advances from Federal Home Loan Bank		
23. Borrowed money:		
a. From banks (Schedule 8, Page 14)	$ 100.00	
b. From others (Schedule 8, Page 14)		100.00
24. Mortgages on real estate owned		
25. Interest accrued on items 22, 23 and 24		
26. Dividends declared, unpaid and uncredited		
27. Taxes accrued and unpaid on real estate owned		
28. Accounts payable		217.23
29. Loans in process		
30. Advance payments		
a. Advance payments by borrowers for taxes and insurance (if carried separately)	$ 78,79[illegible]	
b. [illegible]	13,[illegible]	
c.		[illegible],140.45
31. Other liabilities (Schedule 7, Page 14)		
32. Deferred credits to future operations		
a. For unearned profit on real estate sold	$	
b. For income collected in advance		
c. For income Taxes		
d.		
33. Specific reserves:		
a. For uncollected interest	$	
b. For subordinated liens		
c.		
34. General reserves		
a. Reserve for bad debts	$ 308,533.48	
b. Federal Insurance reserve (if insured)		
c.		
d.		
e.		308,533.48
35. Surplus		
36. Undivided profits		< [illegible] >
37. Reserve for estimated dividend requirements		
38. Current earnings (if interim statement) 7 months ended 2-28 19 83		< 92,[illegible] >
39.		
40.		
TOTAL CAPITAL AND LIABILITIES		$ 7,194,678.91

2436

FORM DLR/BSL/#7-3/8-80/81-192

Exhibit B

STATEMENT OF OPERATIONS

NAME OF INSTITUTION Ridgeway Savings + Loan Assn

	Current Period From Aug 1, 1982 To Feb 28, 1983	Year From Aug 1, 1981 To July 31, 1982	Year From Aug 1, 1980 To July 31, 1981
I. GROSS OPERATING INCOME:			
1. Interest			
a. On mortgage loans—ordinary cash collections	$ 364716.65	$ 578,394.04	$ 533,896.81
b. On mortgage loans—all other			
c. On loans on shares, passbooks and certificates	4892.59	8361.38	6652.32
d. On real estate sold on contract			
e. On investments and bank deposits	15,082.07	21,027.26	[illegible]
f. On property improvement loans			
g. On ground rents	152.00	359.00	[illegible]
h. Other			
2. Discount on loans (current installment and amortization only)	-0-	-0-	640.00
3. Appraisal fees, legal fees and initial service charges	-0-	1522.00	5703.40
4. Other fees and fines	4,659.54	6641.40	- -
5. Real estate operations—Net income or (loss from R.E.O. Details on page 5)			
6. Gross income from office building	2,170.00	3350.00	4,330.00
7. Dividends:			
a. On stock in Federal Home Loan Bank			
b. Other dividends			
8. Miscellaneous operating income	3,621.50	579.27	488.12
9. Gross operating income	$ 398,294.39	$ 620,[illegible]	$ 558,032.81
II. LESS--OPERATING EXPENSE:			
10. Salaries, etc.:			
a. Compensation to directors, officers, employees, etc.	$ [illegible]	$ 53,[illegible]	$ 47,246.33
b. ~~Collection expense (agents, etc.)~~ Employee benefits	1725.76	600.00	425.00
11. Legal services—retainer, traveling expenses and special services	[illegible]	1780.00	-0-
12. Expense accounts of directors, officers and employees	[illegible]	[illegible]	[illegible]
13. Rent, light, heat, etc.	[illegible]	13,344.22	12703.79
14. Office building expenses (if owned):			
a. Repairs, taxes and maintenance of office building including depreciation	[illegible]	[illegible]	[illegible]
b.			
15. Furniture, fixtures and equipment, including depreciation	- -	- -	5,709.66
16. Advertising	[illegible]	7794.56	3624.27
17. Stationery, printing and office supplies	[illegible]	[illegible]	[illegible]
18. Telegraph, telephone, postage & express	- -	3126.82	[illegible]
19. Insurance and bond premiums	[illegible]	[illegible]	[illegible]
20. Federal insurance premium (if insured)			—
21. Audit and supervisory examination	2,635.00	[illegible]	1200.00
22. Taxes (other than real estate taxes)	[illegible]	10,[illegible]	5794.10
23. Organization dues	535.75	[illegible]	77.00
24. Other operating expense	1140.79	6,858.78	4506.89
25. Total operating expense	$ 84,851.98	$ 122,[illegible] 51	$ 104,848.76
III. Net Operating Income Before Interest and Other Charges (Carried forward to page 5)	$ 313,442.41	$ 497,221.94	$ 453,183.75

2437

FORM DLR/BSL #8-4-8-80 81-192

	Current Period From AUG 1, 1982 To FEB 28, 1983	Year From AUG 1, 1981 To July 31, 1982	Year From AUG 1, 1980 To July 31, 1981
III. Net Operating Income Before Interest and Other Charges (Carried forward from page 4)	$ 313,442.41	$ 497,281.94	$ 453,183.75
IV. LESS--INTEREST CHARGES:			
26. On advances from Federal Home Loan Bank	$	$	$
27. On borrowed money	6.98	21,155.46	39,336.95
28. Escrow/xmas clubs	15.00	3500.74	3452.79
29. Total Interest	$ 21.98	$ 24,656.20	$ 42,789.74
V. Net Operating Income	$ 313,420.43	$ 472,625.74	$ 410,394.01
VI. ADD-NON-OPERATING INCOME:			
30. Dividends retained on withdrawals	$	$	$
31. Profit on sale of real estate			
32. Profit on sale of investments			
33. Mortgage prepayment penalties			
34. Other non-operating income			
35. Total non-operating income	$ -0-	$ -0-	$ -0-
VII. Net Income After Interest and Before Charges	$ 313,420.43	$ 472,625.74	$ 410,394.01
VIII. LESS--NON-OPERATING CHARGES (do not use lines herein for items charged direct to reserves):			
36. Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves)	$	$	$
37. Loss on sale of real estate			
38. Loss on sale of investments			
39. Other non-operating charges			
40. Total non-operating charges	$ -0-	$ -0-	$ -0-
IX. Net Income for Period	$ 313,420.43	$ 472,625.74	$ 410,394.01

REAL ESTATE OPERATION (Details)

I. REAL ESTATE INCOME:			
1. Real Estate Rents	$	$	$
2.			
3. Total Real Estate Income	$	$	$
II. LESS--REAL ESTATE OPERATING EXPENSES:			
4. Taxes	$	$	$
5. Insurance			
6. Repairs and Maintenance			
7. Commissions			
8. Depreciation			
9. Other Miscellaneous real estate expenses			
10.			
11. Total Real Estate Expenses	$	$	$
12. Net profit on Real Estate Operations	$	$	$
13. Net loss on Real Estate Operations (Note—Insert net income or loss in connection with real estate on page 4 as indicated.)	$	$	$

FORM DLR/BSL/#9-5/8-80/81-192

DISTRIBUTION OF NET INCOME AND RECONCILEMENT OF UNDIVIDED PROFITS OR EARNED SURPLUS

	Current Period From AUG 1, 1982 To FEB 28, 1983	Year From AUG 1, 1981 To July 31, 1982	Year From AUG 1, 1980 To July 31, 1981
Distribution of Net Income			
1. Net income for period (Item IX, Exh. B)	$ 213,030.43	$ 472,[illegible]	$ 410,394.01
Distribution			
2. Transfers to reserves:			
a. Federal insurance reserve	$	$	$
b. Reserve for bad debts			
c. Surplus			
d.			
e.			
f.			
g.			
3. Earnings distributed on sav. capital:			
a. Dividends on savings	39,104.24	93,960.27	150,246.99
b. Int. on deposits, invest., cert. etc.	266,388.71	475,412.18	284,911.07
c. Res. for div. on Var. Div. Certs.			
d.			
4. Other			
a. Federal income tax	-0-	<15,522.00>	-0-
b.			
c.			
5. Total Distribution of Net Income	$ [illegible]5,492.95	$ 553,85[illegible]	$ 435,158.06
6. Net Income After Distribution	-0-	$ <81,225.71>	$ <24,764.05>
7. Net income Undistributed	$ <92,072.52>		
Reconcilement of Undivided Profits			
8. Balance—beginning of period	$ <83,059.81>	$ <1834.10>	$ 14,856.10
9. Net Income After Distribution (line 6)	$ -0-	$ <81,225.71>	$ <24,764.05>
10. Other additions:			
a. S/C 233-Record Merger	$ -0-	$ -0-	$ 2624.85
b. S/C 233-Anticipated Tx Pd.	-0-	-0-	5448.00
c. Unexplained Add By Assn.	-0-	-0-	1.20
d.			
e.			
f.			
g.			
11. Subtotal	$ <83,059.81>	$ <83,059.81>	$ <1833.90>
12. Deductions			
a. Prior Year Adj	$ -0-	$ -0-	$ .20
b.			
c.			
d.			
e.			
f.			
g.			
13. Total deductions	$ -0-	$ -0-	$ .20
Balance at end of period	$ <83,059.81>	$ <83,059.81>	$ <1834.10>
14. Dividend or interest rate for period	6%	6%	6%

FORM DLR/BSL/#10-6/8-80 81-192

Exhibit D

RECONCILEMENT OF RESERVES

	Current Period From AUG 1, 1982 To FEB 28 1983	Year From AUG 1, 1981 To July 31, 1982	Year From AUG 1, 1980 To July 31, 1981
Reserve for bad debts			
1. Balance at beginning of period	$ 308,533 48	$ 308,533 48	$ 289,166 14
2. Additions during period:			
(a) From net profit	$	$	$
(b) J/E 233 - To Record Merger	-0-	-0-	19,367 34
(c)			
(d)			
3. Total additions	$ -0-	$ -0-	$ 19,367 34
4. Totals of items 1 and 3	$ 308,533 48	$ 308,533 48	$ 308,533 48
5. Deductions during period:			
(a)	$	$	$
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
6. Total deductions	$ -0-	$ -0-	$ -0-
7. Balance at end of period	$ 308,533 48	$ 308,533 48	$ 308,533 48

Reserve			
1. Balance at beginning of period	$	$	$
2. Additions during period			
3. Totals of items 1 and 2	$	$	$
4. Deductions during period:			
(a)	$	$	$
(b)			
(c)			
5. Total deductions	$	$	$
6. Balance at end of period	$	$	$

2310

RECONCILEMENT OF RESERVES

D/NT

	Current Period From AUG 1, 1982 To FEB 28, 1983	Year From AUG 1, 1981 To July 31, 1982	Year From AUG 1, 1980 To July 31, 1981
Surplus			
1. Balance at beginning of period	$	$	$
2. Additions during period			
(a) From net profit	$	$	$
(b)			
(c)			
(d)			
(e)			
3. Total additions	$	$	$
4. Totals of items 1 and 3	$	$	$
5. Deductions during period			
(a)	$	$	$
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
6. Total deductions	$	$	$
7. Balance at end of period	$	$	$
Reserve			
1. Balance at beginning of period	$	$	$
2. Additions during period			
(a)	$	$	$
(b)			
(c)			
3. Total Additions	$	$	$
4. Totals of items 1 and 3	$	$	$
5. Deductions during period			
(a)	$	$	$
(b)			
(c)			
(d)			
6. Total deductions	$	$	$
7. Balance at end of period	$	$	$

2111

FORM DLR/BSL #12-R 8-80 81-192

LEGEND

1A--Single Family Dwelling
1B--2-4 Family Dwelling
[illegible]--Home & Business
[illegible]--Apt. 5 or more Families
[illegible]--Business or Commercial
[illegible]--Farm
5--Unimproved
P--Purchase
R--Refinance
RO--Refinance (Other)
C--Construction

LOANS SUBJECT TO COMMENT AS OF-- February 28, 1983

Schedule No. 1

Loan No.	Name of Borrower and Location of Property	Type	Date of Loan	Original Amount	Delinq. Exp. Acct.	Unpaid Principal	Unpaid Interest	Total Debt	No. Payments Last 12 Months	Total Debt Last Exam.	Comments
[illegible] 662	Joseph and Mary [illegible] [illegible] Road 21132	1A	7 29 77	$40 700 00	—	$40 700 00	$1611 11	$42 311 11	0	$39 407 20	5 months interest Balance of $1033 58
RM 663	[illegible] Russell & wf 23 [illegible] 21228	1A	12 29 76	27 000 00	13 20	21,945 19	620 94	22 579 33	1	22,052 10	Interest only payments Princ. reduction [illegible]
RM 700	[illegible] 2321 W [illegible] St 21223	1A	2 16 79	14 400 00	—	14,314 94	1,494 23	15,809 77	0	14 314 94	No reduction of Prin
RM 735	Fair, Frank A. & wf. 111 [illegible] Rd 21220	1A	9-11-78	62,000 00	—	60,834 01	1520 85	62,354 86	3	60,998 47	Princ reduction only $164 [illegible] (Interest only)
RM 749	Devitt, John 9629 [illegible] Rd 21045	1A	11 30-81	30,200 00	—	30 169.61	1910 72	32,080.33	10	30,197.17	4 months interest due
MM 728	[illegible], Donald & wf 712 [illegible] Rd. 21228	1A	7-26-78	15 000 00	704.89	14,663 49	788.76	15857.14	8	14,744 25	
CM 851	Devitt, John 5001 [illegible] Ave	3	12 28 81	113,500 00	—	113,083 39	4146 36	117 229 75	8	113,449 83	
		Totals		$302 800 00	$718.09	$295 710 63	$11,793 57	$308 222 29			

Eleven loans subject to comment prior examination:

Five loans	Nos.	RM 663 - RM 720 - RM 755 - RM 803 RM 840	Now current
Three loans	Nos.	RM 700 - RM 735 - MM 728	Still subject to comment
Two loans	Nos.	RM 771 - 805	Foreclosed
One loan	No.	MM 750	Paid in full

9

2442

Schedule No. 2

REAL ESTATE OWNED AS OF

DIIT

	No.	Book Value	Appraised Value
Balance last examination	0	$ —	$ —
Acquired since last examination	2	88 405.00	None
Additions since last examination		.00	
Total		$ 88 405.00	$ —
Sold since last examination	1	37 200.00	—
Charge offs since last examination		.00	
Balance (current examination date)	1	$ 51,205.00	$ None

*Book Value	$
Sales Price	$
Profit or (Loss)	$

Year Ended	19
Gross Income	$
Less Expense	
Net Income or (Loss)	$
Total Taxes Due and Unpaid on R.E.O.	$

SUMMARY OF PROPERTIES WITH POOR INCOME AND/OR SALES PROSPECTS

Item	Parcels	Book Value	Net Income
Large or Obsolete Homes		$	%
Combination Home and Business			
Apartments	N/A		
Business			
Farms			
Unimproved			
Total Above Classes		$	%
% of R. E. O.	%	%	
Held more than five years		$	

INSURANCE COVERAGE - REAL ESTATE OWNED

Type	Carrier	Exp. Date	Amount
Fire & Ext. Cov.			$
Contents			$
Comprehensive—Glass			$
Owners, Landlords and Tenants Liability			$
			$
			$

2343

Schedule No. 3

SCHEDULE OF INVESTMENTS AS OF -- Feb 28, 1983

Par Value	Description	Rate	Maturity	Actual Cost	Book Value	Interest Accrued (If Carried as an Asset)	Comments
	N/A		N/A				

2444

FORM DLR BSL/#15-11/8-80/81-192

OFFICE BUILDING

PNT

Year Ended 7-31-82

Asset value before depreciation

Land	$ 55 559.60	
Building	107 830.00	
Total	$ 163 389 60	
Less: Allowance for depreciation	19 983 21	
Book Value		$ 143 [illegible]

Assessed value:

Land	$	
Building		
Total		$

Insurance carried

Type	MP	$
		$
		$

Cost of occupancy:

% Annual depreciation	$	
Repairs, taxes and maintenance		
Total cost		$
Total income from other than association		$
Net occupancy cost		$

INSURANCE COVERAGE

Type	Carrier	Exp. Date	Amount
Fire & Ext. Cov.			$
Contents			$
Comprehensive—Glass			$
Owners, Landlords and Tenants Liability			$
			$
			$

2455

OFFICERS, DIRECTORS, ATTORNEYS AND EMPLOYEES

Schedule No. 5

Name	Officer Title	Director	Meetings Attended Since Last Examination	Time Devoted	Annual Salaries Y.E. [illegible]	Annual Fees Y.E. [illegible]	*Indebtedness As Of [illegible] Type	*Indebtedness Amount	Total Free Share Account As Of [illegible]
W WALTER FARANDOIS	PRESIDENT	X	12	PART	—	150.00	M S	$ [illegible] 00 8,500.00	$ 13,2[illegible]
FERDINAND EITEMILLER	VICE-PRESIDENT	X	11	"	—	—	—	—	22,[illegible]
CONRAD SIGMAN, SR.	TREASURER	X	11	"	—	—	—	—	130,300.92
GEORGE HARTER		X	12	"	—	—	M	36,701.15	21,387.28
W WALTER FARANDOIS III		X	10	"	—	550.00	—	—	355.11
JOSEPH FREY		X	12	"	—	—	—	—	6,846.20
J JOSEPH VAETH, JR.		X	12	"	—	—	S	11,027.44	53,328.27
ROSEMARY TYLER	SECRETARY			FULL	$ 12,433.65	—	—	—	—
			TOTAL		$ 12,433.65	700.00	M S	47,701.15 19,527.44	$ 253,618.37

Meetings held since last examination 12 Date of last annual meeting of members SEPT. 16 - 1982

Number of directors designated in by-laws 5 - 15

*Designate Mortgage Loans—M; Share Account Loans—S; Unsecured Loans—U; Collateral—C; Trustee Account—T.

Bond Amount	Name of Surety and Home Office	Expiration Date
$ 255,000.00	FIDELITY AND DEPOSIT	11-9-83

13

2446

FORM CLR/BSL/417-13/8-80 81-192

Schedule No. 6

OTHER ASSETS: (Item 16, Exhibit A)

Accounts ~~Receivable~~ Payable	$ 335.00
Prepaid Insurance	1284.00
Prepaid Corp Taxes	20,970.00
Prepaid Taxes (St Johns')	2568.90

Total $25,157.90

Schedule No. 7

OTHER LIABILITIES: (Item 31, Exhibit A)

Schedule No. 8

BORROWED MONEY: (Item 23, Exhibit A)

To Whom Owed	Amount	Rate	Due Date	COLLATERAL Description	COLLATERAL Unpaid Principal
Commercial [illegible]	$ [illegible]	Prime +1/2%	Demand	Mortgage	

Schedule No. 9

SUMMARY OF CERTIFICATES OF DEPOSIT, SAVINGS ACCOUNTS, OTHER SECURITIES, ETC.

Description	Amount	Rate	Due Date
Community ~~[illegible]~~ [illegible]	$76,[illegible]8.90	Money Fund	
[illegible] ~~[illegible]~~ S&L	75,232.27	Money [illegible]	
Eastern ~~[illegible]~~ S&L	57,861.60	[illegible]	
First Progressive ~~[illegible]~~ S&L	[illegible]	[illegible]	
" " [illegible] [redacted]237	[illegible],000.00	10%	[illegible]
" " [redacted]238	58,000.00	11%	[illegible]
" " [redacted]239	48,000.00	10%	[illegible]

23 [illegible]

Total $374,212.77

FORM DLR/BSL-418-14/8-80/81-192

HARRY HUGHES
GOVERNOR

STATE OF MARYLAND

CHARLES H. BROWN,
DIRECTOR

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
231 EAST BALTIMORE STREET BALTIMORE, MARYLAND 21202
SEVENTH FLOOR
301 659-6330

JOHN J. CORBLEY
SECRETARY

July 27, 1983

Board of Directors
Ridgeway Savings and Loan
Association
1124 North Rolling Road
Baltimore, Maryland 21228

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of February 28, 1983 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and specifically direct your attention to the following item of supervisory concern:

1. Comment 8 reflects that the total net worth to share liability is well below the provision of Regulation .40-1B.

   Please advise the Division of the action taken to bring the association into compliance.

   You should also review the other exceptions discussed with management and assure this Division that corrective action has been taken.

The Board's attention is directed to Examiner's Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended July 31, 1982.

IIIG4

2449

Board of Directors
Ridgeway Savings and Loan
Association
Page Two
July 27, 1983

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this division in writing of the specific action taken with respect to these matters.

Very truly yours,

Charles H. Brown

Charles H. Brown, Jr.
Director

CHB:JJB:lb

Enclosure

cc: Maryland Savings-Share Insurance Corp.

MINUTES

The meeting of the Board of Directors of Ridgeway Savings and Loan Association was called to order by the President at 8:00 p.m. on August 24, 1983.

Those in attendance were all of the Board of Directors and the Secretary.

The Secretary's report was approved as read.

The Treasurer's report is as follows:

ROLLING ROAD OFFICE

Cash on hand	$ 8,650.00	
First Progressive S/L	100.00	
First National Bank - checking	2,377.05	
State S/L	200,000.00	
Maryland Capital S/L	41,041.15	
Eastern S/L	54,644.83	
Fairfax S/L	8,844.93	
Community S/L	200,000.00	
MSSIC Deposit	155,000.00	
Central Reserve Fund	39,300.00	
		$ 709,957.96

ELLICOTT CITY OFFICE

Cash on hand	7,700.00	
Commericial & Farmers - checking	5,486.05	
Petty Cash	50.00	
		13,236.05
		$ 723,194.01

Commerical & Farmers Bank, prime $100.00

OLD BUSINESS:

1. The President and Managing Officer have been negotiating with MSSIC regarding the net worth and the hypothecation of accounts to reach the same. They will report at the next meeting as to what was done to solve the problem.

2. A discussion was held regarding the last State Examination which was held from the period extending from March 9, 1983 to March 21, 1983. The report on the examination was received on August 1, 1983. Regarding the comments of the report, the Board of Directors hereby answers the same as follows:

Comment One; The managing officer and employees are in the process of collecting the necessary documents and seeing that they are put in the proper files.

Comment Two: The President is diligently working on the past due accounts and they have been reduced substantially over the past year.

The balance on Loan No. 662 was the same because an additional advance was made to the borrower which brought the mortgage balance up to the original amount.

2450

Comment Three: We have so few, if any, people who have an excess in their expense account, that although it may be the regulation, to contact them, regarding the overage, our overages are so rare that it has not been necessary to do so.

Comment Four: The administrative details, as noted, have been taken care of.

Comment Five: The bookkeeping changes have been taken care of.

Comment Six(a) There are times which this has slipped the attention of the Board of Directors in the past and we will try to be more careful with this in the future.

Comment Six(b): The raise of salary for Rosemary Tyle was an unusual situation as the raise was given in order to compensate her for her Blue Cross/Blue Shield which she was paying herself which should have been paid for by the association, thereby savings the association money.

Comment Seven: Accomplished.

Comment Eight: The Association is well aware of the Regulation regarding net worth and steps are being taken to correct the net worth.

Comment Nine: The Board of Directors is investigating this matter.

Comment Ten: The Association will adjust this, but it was such a small amount they felt it was not worth the extra bookkeeping to bring this amount in over a period of time.

Comment Eleven: These suggestions will be taken in the future.

NEW BUSINESS:

1. The current month's yield was discussed and it was noted that it has improved and is now 11.75%. For the past month, the amount collected amount to 13%.

2. The Association granted a second mortgage to Stephen Greenwalt in the amount of $15,000.00 at 14% interest plus two points for a period of 20 years on property known as 5516 Hilltop Road, Baltimore, Maryland.

3. The Association voted to offer a new savings certificate with a minimum of $1,000.00, simple interest at 11% for 1 year.

4. John Devitt sold Pleasant Villa Road upon which we had a mortgage. Our mortgage was paid in full and all of his other accounts were broght to date.

5. It was voted by the Board of Directors to close for Saturday, September 3, 1983 for Labor Day.

There being no further business, the President adjourned the meeting at 9:30 p.m.

Respectfully submitted,

2451

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
1124 N. Rolling Road
Catonsville, Md. 21228
744-0444
9095 Frederick Road
Ellicott City, Md. 21043
465-6006

September 8, 1983

RECEIVED
DEPT. OF LIC. & REG.
DIV. OF SAV & LOAN ASSNS.
SEP 18 1983

Mr. Charles Brown
Division of Savings and Loan Associations
231 East Baltimore Street
7th Floor
American Building
Baltimore, Maryland 21202

Dear Mr. Brown:

Enclosed please find two copies of our minutes for the August meeting at which time the State Examination was discussed.

Very truly yours,

Rosemary Tyler
Managing Officer

Enclosures

2452

REPLY TO:
Catonsville Office
Ellicott City Office

IIIG6

STATE OF MARYLAND

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS

ONE SOUTH CALVERT STREET
BALTIMORE, MARYLAND 21202

REPORT OF EXAMINATION

OF

Ridgeway Savings and Loan Association
Name of Association

9095 Frederick Road
Street and Number

Ellicott City | Maryland | 21043
City | State | Zip Code

As of Close of Business

February 29 1984
Month, Day and Year

[illegible] BY:	
[illegible]	
[illegible] BY:	
[illegible] BY:	

SUPERVISORY [illegible] 6/4/84
ASSOCIATION [illegible] 5/3/84

24[illegible]

IIIG7

FORM DLR BSL #1 8-80/81-192

Name of Association ____

INDEX OF EXAMINATION

(Circle Applicable Items)

16. Compliance to Supervisory Letter

17. A. Officer's Affidavit
    B. Management Questionnaire
    C. Attorney's Letter

18. Balance Sheet as of
    A. Examination Date
    B. Prior Fiscal or Calendar Year

19. Statement of Operations for
    A. Interim Period
    B. Prior Fiscal or Calendar Year

20. MORTGAGE INVESTMENT BY AREAS

20. Mortgage Loan Schedule
    A. Exceptions
    B. 90% and 80% Limitations
    C. Purchase or Sale of Mortgages

20. [illegible] by areas

21. Operating Ratios

22. Trial Balance as of
    A. Examination Date
    B. Prior Fiscal or Calendar Year

23. Cash Flow

24. Average Mortgage Interest

25. Cash on Hand and in Bank

26. Verifications and Confirmations

27. Share Loans

28. Real Estate Owned

29. Ground Rents Owned

30. Contracts of Sale

31. Loans Foreclosed and Sold to Third Party

32. Investments and Securities

33. M.S.S.I.C. and Certificates of Deposit

34. Office Building and Improvements

35. Furniture and Fixtures

36. Prepaid or Deferred Charges

37. Other Assets

38. Mortgage Expense Accounts

39. Mortgage Hypothecations

40. Loans in Process

41. Borrowed Money

42. Other Liabilities

43. Deferred Income

44. Reserve Analysis

45. Realignment of Reserves - I.R.S.

46. Specific Reserves

47. Surplus

48. Undivided Profits

49. Guaranty Stock

50. Dividends

51. Income Accounts

52. Expense Accounts

53. A. Profit (Loss) on Sale of Real Estate
    B. Profit (Loss) on Sale of Investments

54. Minutes

55. Attendance of Directors

56. Notice of Annual Meeting

57. Officers, Directors, and Attorney's Schedules & Prohibited Transactions

58. Insurance

59. Savings and Loan Blanket Bond

60. A. MRD-K8
    B. FT-1

61. Federal Income Tax Return

62. Charter and Bylaws

63. A. Concentration - Mortgages
    B. Concentration - Free Shares

64. Tapes - Summary
    A. Mortgages
    B. Free Share Accounts
    C. Mortgage Expense Accounts
    D. Ground Rents Owned
    E. Christmas Club

65. Printed Financial Statements

66. Other Pertinent Exhibits

67. Lease or Deed to Office Building

68. Dormant Free Share Accounts

INTERNAL CONTROL

69. Original Loan to Purchase Price and Appraisal Value

Money Pledged to MSSIC

70. Disclosure Statement Calculation

71. Application Form CLOSING ENTRIES

72. Variable Dividend Approval from Dept.

73. Accountant or Accounting Firm & Funct

74. Loan Applications Rejected

75. [illegible]

76. Truth in [illegible]

2454

NAME OF ASSOCIATION Ridgeway Savings AND Loan

As of Date Feb 29, 1984

Examiners		
Stanley Goren	~~14~~ DAYS	13
Robert Rucks	~~12½~~ DAYS	13½
	26½ DAYS	26½

This association post its books DAILY
(daily, weekly, monthly, quarterly)

Does association obtain yearly independent certified audits? Yes

On Line? NO

FORM DLR/BSL/#2/8-80/81-192

Association: [illegible]

NAME OF EXAMINERS AND MAN DAYS ON EXAMINATION:

Date	Day	E.I.C. Goren		Exmr. Rucks		Exmr.	Exmr.	Exmr.	Total
	M								
	T								
	W								
4/12	T	1 ✓		1 ✓					
13	F	— ✓	1	½ ✓	1½				
		~~3~~	1	~~3½~~	1½	2½			3
4/16	M	1 ✓							
17	T	1 ✓		1 ✓					
18	W	1 ✓		-0- ✓					
19	T	1 ✓		— ✓					
20	F	-0-	4	-0- ✓	2	6			
		~~8~~	5	~~2½~~	3½	8½			1½
4/23	M	1 ✓		1 ✓					
24	T	1 ✓		1 ✓					
25	W	— ✓		1 ✓					
26	T	— ✓		1 ✓					
27	F	1 ✓	3	1 ✓	5	8			
		~~3~~	8	~~3~~	8½	16½			8
4/30	M	1 ✓		1 ✓					
5/1	T	1 ✓		1 ✓					
2	W	1 ✓		1 ✓					
3	T	1 ✓		1 ✓					
4	F	1 ✓	5	1 ✓	5	10			
		~~5~~	13	~~5~~	13½	26½			10
	M								
	T								
	W	14		12½					
	T								
	F								
	M								
	T								
	W								
	T								
	F								
	M								
	T								
	W								
	T								
	F								

2450

Savings Accounts Prepared by
M5016

EXAMINATION AS OF

February 29, 1984

Association: Ridgeway Savings and Loan Assn

Address: 9095 Frederick Road, City: Ellicott City, State: Md, Zip Code: 21043

Address of Branches

(1) 1124 N Rolling Road - Baltimore, Maryland 21228

(2)

Free Share or Savings Accounts — No. 1552 $7867,654.10

Mortgage Loans — No. 263 $6,543,999.76

Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period
Feb 14, 1955	Mutual	July 31st	3rd Wednesday in September	4.20 10/31 4% 7/31 4/31

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	(x) Director
(1)	W Walter Farmandis	6202 Old Columbia Rd	Columbia	Pres	(x)
(2)	Grace Dewitt	Park Avenue	Sykesville	Treas	(x)
(3)	Rosemary Tayler	5630 Manor Drive	Woodbine	Sec'y	(x)
(4)	Anita Wilcox	685 Gaither Rd	Sykesville		(x)
(5)	W Walter Farmandis III	9106 Winding Way	Ellicott City		(x)
(6)	Joseph Frey	7611 Maple Ave	Sykesville		(x)
(7)	John J. Yaeger Jr	3614 St. Johns Lane	Ellicott City		(x)
(8)					
(9) ②	Ferdinand Eimmuller	2200 N. Rolling Rd.	[illegible]	Pres	(x)
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					

Counsel

Name: W Walter Farnandis
Address: 1124 North Rolling Rd
Baltimore, Maryland 21228

Accountant

Name: David W Walker - C.P.A.
Address: 3790 Ten Oaks Road
Clarksville, Md 21029

Period of Examination	
APRIL 12, 1984	May 4, 1984
From	To

21.

Examiner-In-Charge
Stanley Gorin

FORM DLR BSL #4 8-80-81-192

COMPARATIVE PERCENTAGE SUMMARY

	CURRENT EXAMINATION		PREVIOUS EXAMINATION	
	Date Jul 29 1984		Date [illegible] 28 1983	
	Amount	% to Total Assets	Amount	% to Total Assets
1. Total Assets	$ 8,127,425 10		$ 7,194,678 91	
2. Reserve for Bad Debts	308533 48	3.8 %	$ 308,533 48	4.3 %
3. Undivided profits and surplus	<162,685.28>	<2 0> %	$ <83,[illegible] 81>	<1 [illegible]> %
4. First mortgage loans	$ 6543999 76	80.5 %	$ 6086627.99	84.6 %
5. Ground rents owned	$ 7,582.55	.1 %	$ 7,582 55	.1 %
6. Liquid Assets:				
(a) Cash	$ 463,789 96		$ 222,254 91	
(b) Investments (Securities)	618,463 80		374,812 77	
(c) M.S.S.I.C. deposit	182,800 00		163,300 00	
Total Liquid Assets	$ 1,271,053.76	15.6 %	$ 760,367 68	10.6 %
7. Slow Assets:				
(a) Slow mortgage loans	$ 125,777 40	1.6 %	$ 295,710 63	4.1 %
(b) Real estate Owned		%	51,205.00	.7 %
(c) Office Building & Improvements (net)	134,966.13	1.7 %	143,405 79	2.0
(d) Leasehold Improvements (net)	585.28	— %	704.56	
(e) Furniture & Fixtures (net)	9,745.00	.1 %	15,148 28	.2
(f)	—	%		%
Total Slow Assets	$ 271,074.81	3.4 %	$ 506,174 26	7.0 %
8. Borrowed Money	$ 100 00	— %	$ 100 00	— %
	Year Ended Jul. 31 1983		Year Ended July 31, 1982	
	Amounts	Ratios	Amounts	Ratios
9. Operating ratios:				
(a) Gross operating income (Item 9, Page 4)	$ 768955 87		$ 620,224 45	
(b) Total operating expense (Item 25, Page 4 and Item 29, Page 5)	$ 144,916.47		$ 147,598 71	
(c) % Operating expense to gross operating income		18.9 %		23.8 %
(d) Net operating income (Item V, Page 5)	$ 624,039.40		$ 472,605.74	
(e) Dividends (page 6)	$ 706,247 01		$ 569,373.45	
(f) % Dividends to net operating income		113.2 %		120.5 %
(g) Total assets at end of fiscal year	$ 7,923,283 00		$ 6,187,036.04	
(h) % Operating expense to total assets		1.8 %		2.4 %
(i) Share liability at end of fiscal year	$ 7593,132.00		$ 5,861,643.17	
(j) % Net income to share liability		8.2 %		8.1 %
(k) Reserve for Bad Debts	$ 308,533.48		$ 308,533.48	
(l) % Reserve for Bad Debts to Share Liability		4.1 %		5.3 %
(m) Total Net Worth	$ 161,848.20		$ ~~225,473.67~~ 170,473.67	
(n) % Total Net Worth to Share Liability	[illegible]	2.1 %		~~3.9~~ 2.9 %

Exhibit A

STATEMENT OF CONDITION

Name of Institution [illegible]

as of [illegible] 29, 19[illegible]

ASSETS

1. First mortgage loans:		
a. First mortgage direct reduction loans	$ [illegible]	
b. First mortgage drop share loans		
c. F.H.A. mortgage loans		
d. G.I. mortgage loans		
e. First mortgage straight loans		
f. Participation loans		
g. Accrued interest receivable on first mortgage loans	43[illegible]	
h. Advances for taxes, insurance, etc., on first mortgage loans		$ [illegible]
2. Subordinated Liens:		
a. Second Mortgages	$	
b. Accrued interest receivable on second mortgages		
c. Advances for taxes, insurance, etc., on second mortgages		
3. Free Share Account Loans:		
a. Loans secured by accounts of this association	$ [illegible]	
b. Accrued interest receivable on free share account loans		[illegible]
4. Other loans:		
a. Loans on all other security	$	
b. Unsecured loans		
c. Accrued interest receivable on other loans		
5. Real Estate Sold on Contract:		
a. Real estate sold on contract	$	
b. Accrued interest receivable on real estate sold on contract		
c. Advances for taxes, insurance, etc., on real estate sold on contract		
6. Real estate owned (exclusive of office bldg.)		
7. Ground Rents Owned		[illegible]
8. Investments:		
a. Stock in Federal Home Loan Bank	$	
b. Federal Home Loan Bank Securities		
c. U.S. Government obligations		
d. Other investment securities CERTS	6181162.20	[illegible]
9. M.S.S.I.C. Deposit		[illegible]
10. Investment - Service Corporation		
11. Cash		
a. Cash on hand	$ 16,400.00	
b. Cash in banks	71,889.[illegible]	
c. Federal Funds	375,000.00	
d. [illegible] between offices	500.00	[illegible]
12. Office Building (if owned)		
a. Office building and improvements	$ 163,[illegible]	
b. Less allowance for depreciation	[illegible].47	[illegible]
13. Leasehold Improvements		
a. Leasehold improvements	$ [illegible]	[illegible]
b. Less allowance for amortization	[illegible]	[illegible] 28
14. Furniture, etc.		
a. Furniture, fixtures and equipment	$ 44,124.47	
b. Less allowances for depreciation	34,3[illegible].47	[illegible]
15. Deferred charges		[illegible]
16. Other assets (Schedule 6, Page 14)		[illegible]
17.		
18.		

2459

TOTAL ASSETS	$ 8127,425.10

FORM: DLR/BSL/#6-2/8-80/81-192

STATEMENT OF CONDITION--(Continued)

Exhibit A

CAPITAL AND LIABILITIES

20. Free accounts:
    - a. Installment share dues credited ______ $ ______
    - Deduct—Delinquent dues (if carried) ______
    - Sub-total ______ $ ______
    - Add—Dividends (unless included in 20-a) ______
    - Net free installment shares ______ $ ______
    - b. Savings shares and accounts (payments and dividends) ______ [illegible]
    - c. Variable Dividend Certificates ______ 1,452,73[illegible] [illegible]
    - d. ~~Single payment shares (payments and dividends)~~ Jumbos ______ [illegible]
    - e. ~~Matured shares (payments and dividends)~~ Certificate Accounts ______ 1,211[illegible]
    - f. Hypothecated Share Accounts—Mortgage Loans ______ [illegible]
    - g. Pledged Share Accounts—Free Share Account Loans ______
    - h. ~~Income Shares~~ IRA ______ [illegible]
    - i. [illegible] ______ [illegible]
    - Total Share Accounts: ______ [illegible]
21. Other Accounts
    - Christmas Clubs ______ $ 2492.[illegible]
    - Vacation Clubs ______
    - Total Other Accounts ______ [illegible]
22. Advances from Federal Home Loan Bank ______
23. Borrowed money:
    - a. From banks (Schedule 8, Page 14) ______ $ 100.00
    - b. From others (Schedule 8, Page 14) ______ 100.00
24. Mortgages on real estate owned ______
25. Interest accrued on items 22, 23 and 24 ______
26. Dividends declared, unpaid and uncredited ______
27. Taxes accrued and unpaid on real estate owned ______
28. Accounts payable ______ 2085.96
29. Loans in process ______
30. Advance payments:
    - a. Advance payments by borrowers for taxes and insurance (if carried separately) ______ $ 24[illegible]
    - b. ______
    - c. ______ [illegible]
31. Other liabilities (Schedule 7, Page 14) ______ 160.63
32. Deferred credits to future operations:
    - a. For unearned profit on real estate sold ______ $ ______
    - b. For income collected in advance ______
    - c. For income Taxes ______
    - d. ______
33. Specific reserves:
    - a. For uncollected interest ______ $ ______
    - b. For subordinated liens ______
    - c. ______
34. General reserves:
    - a. Reserve for bad debts ______ $ 302[illegible]
    - b. Federal Insurance reserve (if insured) ______
    - c. ______
    - d. ______
    - e. ______ [illegible]
35. Surplus ______
36. Undivided profits ______ [illegible]
37. Reserve for estimated dividend requirements ______
38. Current earnings (if interim statement) 7 months ended 2-29 19 84 ______ 24868.77
39. ______
40. ______

TOTAL CAPITAL AND LIABILITIES 2460 $ 8,127,425.10

FORM DLR BSL 47-3 8-80 81-192

Exhibit B

STATEMENT OF OPERATIONS

NAME OF INSTITUTION Ridgeway Savings and Loan

	Current Period From 8-1-83 To 2-29-83	Year From 8-1-82 To 7-31-83	Year From 8-1-81 To 7-31-82
I. GROSS OPERATING INCOME:			
1. Interest			
a. On mortgage loans—ordinary cash collections	$ 450,331.75	$ 685,096.00	$ 372,394.04
b. On mortgage loans—all other			
c. On loans on shares, passbooks and certificates	7796.79	8259.97	7261.37
d. On real estate sold on contract			
e. On investments and bank deposits	41175.66	52,270.18	21,067.26
f. On property improvement loans			
g. On ground rents	232.00	267.00	359.00
h. Other			
2. Discount on loans (current installment and amortization only)			
3. Appraisal fees, legal fees and initial service charges	8,205.00	4434.00	1,522.00
4. Other fees and fines	7,088.31	10,427.87	6641.40
5. Real estate operations—Net income or (loss from R.E.O. Details on page 5)	185.00	4,091.36	
6. Gross income from office building	1925.00	3,545.00	3,200.00
7. Dividends			
a. On stock in Federal Home Loan Bank			
b. Other dividends			
8. Miscellaneous operating income	709.96	564.49	521.37
9. Gross operating income	$ 517,649.47	$ 768,955.27	$ [illegible]
II. LESS--OPERATING EXPENSE:			
10. Salaries, etc.			
a. Compensation to directors, officers, employees, etc.	$ 36,072.17	$ 63,281.91	$ 53,438.40
b. Collection expense (agents, etc.)	2379.20	2,982.72	1,500.00
11. Legal services—retainer, traveling expenses and special services	1400.00	3,122.00	1,700.00
12. Expense accounts of directors, officers and employees	384.38	2,951.17	2,216.39
13. Rent, light, heat, etc.	7,731.32	12,620.04	13,344.22
14. Office building expenses (if owned):			
a. Repairs, taxes and maintenance of office building including depreciation	7476.91	14,094.60	14,358.44
b.			
15. Furniture, fixtures and equipment, including depreciation		2,551.00	
16. Advertising	1,695.15	11,394.05	7934.04
17. Stationery, printing and office supplies	1,195.11	3482.96	4440.85
18. Telegraph, telephone, postage & express	3,679.49	5,867.96	3,126.33
19. Insurance and bond premiums	1,528.00	2,725.00	2,814.67
20. Federal insurance premium (if insured)			
21. Audit and supervisory examination		3,935.00	1,864.35
22. Taxes (other than real estate taxes)	8,939.01	12,002.95	10,444.34
23. Organization dues	49.25	796.25	221.00
24. Other operating expense	4797.91	2,490.33	6,258.78
25. Total operating expense	$ 77,337.90	$ 144,903.94	$ [illegible]
III. Net Operating Income Before Interest and Other Charges (Carried forward to page 5)	$ 440,311.57	$ 624,051.93	$ 497,281.94

2401

FORM DLR BSL #8-4 8-80 81-192

	Current Period From 8-1-83 To 2-29-84	Year From 8-1-82 To 7-31-83	Year From 8-1-81 To 7-31-82
III. Net Operating Income Before Interest and Other Charges (Carried forward from page 4)	$440311.57	$62405193	$497281.94
IV. LESS--INTEREST CHARGES:			
26. On advances from Federal Home Loan Bank	$	$	$
27. On borrowed money	405.10	12.53	21155 46
28.			3500.74
29. Total Interest	$ 405.10	$ 12 53	$ 24656 20
V. Net Operating Income	$439906 47	$624039.40	$ 472625 74
VI. ADD-NON-OPERATING INCOME:			
30. Dividends retained on withdrawals	$	$	$
31. Profit on sale of real estate			
32. Profit on sale of investments			
33. Mortgage prepayment penalties			
34. Other non-operating income			
35. Total non-operating income	$	$	$
VII. Net Income After Interest and Before Charges	$439906 47	$624039.40	$472625 74
VIII. LESS--NON-OPERATING CHARGES (do not use lines herein for items charged direct to reserves):			
36. Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves)	$	$	$
37. Loss on sale of real estate			
38. Loss on sale of investments			
39. Other non-operating charges			
40. Total non-operating charges	$	$	$
IX. Net Income for Period	$439906 47	$624 039.40	$472625 74

REAL ESTATE OPERATION (Details)

I. REAL ESTATE INCOME:			
1. Real Estate Rents	$	$	$
2.			
3. Total Real Estate Income	$		$
II. LESS--REAL ESTATE OPERATING EXPENSES:		N/A	
4. Taxes	$		$
5. Insurance			
6. Repairs and Maintenance			
7. Commissions			
8. Depreciation			
9. Other Miscellaneous real estate expenses			
10.			
11. Total Real Estate Expenses	$	$	$
12. Net profit on Real Estate Operations	$	$	$
13. Net loss on Real Estate Operations (Note—Insert net income or loss in connection with real estate on page 4 as indicated.)	$	$	$

2462

FORM OLR/BSL/#9-5 8-80/81-192

DISTRIBUTION OF NET INCOME AND RECONCILEMENT OF UNDIVIDED PROFITS OR EARNED SURPLUS

	Current Period From 8-1-83 To 2-29-83	Year From 8-1-81 To 7-31-83	Year From 8-1-81 To 7-31-82
Distribution of Net Income			
1. Net income for period (Item IX, Exh. B)	$439 906.47	$624039.40	$472625 74
Distribution			
2. Transfers to reserves:			
a. Federal insurance reserve	$	$	$
b. Reserve for bad debts			
c. Surplus			
d.			
e.			
f.			
g.			
3. Earnings distributed on sav. capital:	151595.21	76,945.77	
a. Dividends on savings	~~189380.86~~	~~74329.89~~	73960 27
b. Int. on deposits, invest., cert. etc.	225442.49	629998.34	475412.18
c. Res. for div. on Var. Div. Certs.			
d. ~~Int. Exp. - XMAS Club~~	~~214.25~~	~~1912.78~~	
4. Other			
a. Federal income tax			<15,522 00>
b.			
c.			
5. Total Distribution of Net Income	$415037 70	$706 24701	$[illegible] 45
6. Net Income After Distribution		$<82207.61>	$<81225.71>
7. Net income Undistributed	$24 868 77		
Reconcilement of Undivided Profits			
8. Balance—beginning of period	<146685.28>	$<83059 81>	$<[illegible]834 10>
9. Net Income After Distribution (line 6)	$	$<82207 61>	$<81,225 71>
10. Other additions:			
a.	$	$	$
b. [illegible]		18579.09	
c. ADJ		3 65	
d. Tax Refunds	1052075		
e. To Correct Withdrawl	1000.00		
f.			
g.			
11. Subtotal	<135164.53>	$<14668528>	$<83,059.81>
12. Deductions			
a. Liq ASSET ACCT - ADJ	$1000.00	$	$
b. Prepaid Corp TAXES	1052075		
c. Correction accruals for	16000 00		
d. Jumbo Cert			
e.			
f.			
g.			
13. Total deductions	$27520 75	$	$
Balance at end of period	<162685.28>	$<146685 28>	$<83059 81>
14. Dividend or interest rate for period	6 %	6 %	6 %

2463

Exhibit D

RECONCILEMENT OF RESERVES

	Current Period From 8-1-83 To 2-29-83	Year From 8-1-82 To 7-31-83	Year From 8-1-81 To 7-31-82
Reserve for bad debts			
1. Balance at beginning of period	$ 308533.48	$ 308,533.48	$ 308,533.48
2. Additions during period			
(a) From net profit	$	$	$
(b)			
(c)			
(d)			
3. Total additions	$	$	$
4. Totals of items 1 and 3	$ 308533.48	$ 308533.48	$ 308533.48
5. Deductions during period:			
(a)	$	$	$
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
6. Total deductions	$	$	$
7. Balance at end of period	$ 30853348	$ 308533.48	$ 30853348
Reserve			
1. Balance at beginning of period	$	$	$
2. Additions during period			
3. Totals of items 1 and 2	$	$	$
4. Deductions during period			
(a)	$	$	$
(b)			
(c)			
5. Total deductions	$	$	$
6. Balance at end of period	$ 2464	$	$

FORM DLR/BSL 211-7 8-80 81-192

Exhibit D (continued)

RECONCILEMENT OF RESERVES

	Current Period From 8-1-83 To 2-29-84	Year From 8-1-82 To 7-31-83	Year From 8-1-81 To 7-31-82
	N/A		
Surplus			
1. Balance at beginning of period	$	$	$
2. Additions during period			
(a) From net profit	$	$	$
(b)			
(c)			
(d)			
(e)			
3. Total additions	$	$	$
4. Totals of items 1 and 3	$	$	$
5. Deductions during period			
(a)	$	$	$
(b)			
(c)			
(d)			
(e)			
(f)			
(g)			
6. Total deductions	$	$	$
7. Balance at end of period	$	$	$

Reserve			
1. Balance at beginning of period	$	$	$
2. Additions during period			
(a)	$	$	$
(b)			
(c)			
3. Total Additions	$	$	$
4. Totals of items 1 and 3	$	$	$
5. Deductions during period			
(a)	$	$	$
(b)			
(c)			
(d)			
6. Total deductions	$	$	$
7. Balance at end of period	$ 2465	$	$

FORM DLR/BSL/#12-8/8-80/81-192

LEGEND

[illegible]

LOANS SUBJECT TO COMMENT AS OF [illegible]

Schedule No. 1

Loan No.	Name of Borrower and Location of Property	Type	Date of Loan	Original Amount	Delinq. Esc. Acct. (2)	Unpaid (1) Principal	Unpaid (1) Interest	Total Debt (2)+(3)+(4)	No. Payments Last 12 Months	Total Debt Last Exam.	Comments
[illegible]	[illegible]	1a	[illegible]	$[illegible]	$[illegible]	$[illegible]	$[illegible]	[illegible]	2		
[illegible]	[illegible]	[illegible]	[illegible]	46,[illegible]	[illegible]	39,[illegible]	[illegible].80	46,[illegible]	1		
[illegible]	[illegible] Rowell Rd	1	9-5-72	21,800.00	[illegible]	20,[illegible]	347.02	21,[illegible].28	10		[illegible]
[illegible]	[illegible] May	1a	2-24-78	49,500.00	[illegible].91	47,422.21	386.02	48,0[illegible].80	10		
				$[illegible]	$[illegible]	$[illegible]	$3,197.26	$[illegible]			

7 loans subject to comment last Exam

(4) Loans Current — 603, 643, 735, 849

(3) " Paid off — 700, 728, 851

[illegible]

REAL ESTATE OWNED AS OF

	No.	Book Value	[illegible]
Balance last examination		$	$
Acquired since last examination			
Additions since last examination			
Total		$	$
Sold since last examination			
Charge offs since last examination			
Balance (current examination date)		$	$

*Book Value ____________ $ ________

Sales Price ____________ $ ________

Profit or (Loss) ____________ $ ________

Year Ended ____________ 19 ____

Gross Income ____________ $ ________

Less Expense ____________ ________

Net Income or (Loss) ____________ $ ________

Total Taxes Due and Unpaid on R.E.O. ____________ $ ________

SUMMARY OF PROPERTIES WITH POOR INCOME AND/OR SALES PROSPECTS

Item	Parcels	Book Value	Net Income
Large or Obsolete Homes		$	
Combination Home and Business			
Apartments			
Business			
Farms			
Unimproved			
Total Above Classes		$	
% of R. E. O.	%		
Held more than five years		$	

INSURANCE COVERAGE — REAL ESTATE OWNED

Type	Carrier	Exp. Date	[illegible]
Fire & Ext. Cov.			$
Contents			$
Comprehensive—Glass			$
Owners, Landlords and Tenants Liability			$
			$
			$

2467

FORM DLR/BSL/[illegible]

SCHEDULE OF INVESTMENTS AS OF --

Par Value	Description	Rate	Maturity	Actual Cost	Book Value	Interest Accrued (If Carried as an Asset)	Comments

2463

Schedule No. [illegible]

OFFICE BUILDING

Year Ended ________

Asset value before depreciation:

Land ________________ $ ________

Building ________________ ________

Total ________________ $ ________

Less: Allowance for depreciation ________________ ________

Book Value ________________ $ ________

Assessed value:

Land ________________ $ ________

Building ________________ ________

Total ________________ $ ________

Insurance carried

Type ________________ $ ________

________________ $ ________

________________ $ ________

Cost of occupancy:

________ % Annual depreciation ________________ $ ________

Repairs, taxes and maintenance ________________ ________

Total cost ________________ $ ________

Total income from other than association ________________ $ ________

Net occupancy cost ________________ $ ________

INSURANCE COVERAGE

Type	Carrier	Exp. Date	Amount
Fire & Ext. Cov. ________	________	________	$ ________
Contents ________	________	________	$ ________
Comprehensive—Glass ________	________	________	$ ________
Owners, Landlords and Tenants Liability ________	________	________	$ ________
________	________	________	$ ________
________	________	________	$ ________

2469

OFFICERS, DIRECTORS, ATTORNEYS AND EMPLOYEES

Schedule No. 5

Name	Officer Title	Director	Meetings Attended Since Last Examination	Time Devoted	Annual Salaries Y.E. [illegible]	Annual Fees Y.E. [illegible]	*Indebtedness As Of [illegible] Type	Amount	Total Free Share Account AS OF
[illegible]	President	X	7	[illegible]		$1,350.00	S	[illegible]	[illegible]
[illegible] III	Vice President	X	10	PT			M	3631.43	
[illegible] Tyler	Secretary	X	10	FT	9,263.00				
[illegible] Davitt	Treasurer	X	9	PT			M	52,921.45	
[illegible] Wilcox		X	9	PT					
[illegible]					46,763.00		S	3278.18	
~~Total~~					~~56,026.00~~			~~[illegible]~~	
[illegible]		X				1,350.00			
Ferdinand Entemiller		X				1,350.00			
[illegible] Halter		X				1,350.00			
[illegible] Frey		X				950.00			
[illegible] Tuttle Jr		X				1,300.00 ~~1,200.00~~			
TOTALS					[illegible]	7,850.00	M S	109237.85 5388.67	

~~[illegible]~~ @ 9-21-83

Meetings held since last examination 10 Date of last annual meeting of members 9/21/83

Number of directors designated in by-laws 5-15

*Designate Mortgage Loan—M; Share Account Loan—S; Unsecured Loan—U; Collateral—C; Trustee Account—T.

Bond Amount	Name of Surety and Home Office	Expiration Date
$295,000	[illegible]	12/29/84

2470

FORM CUR-[illegible]

Schedule No. 6

OTHER ASSETS: (Item 16, Exhibit A)

[illegible]	[illegible]
Deferred [illegible]	6658.00
Stock Conversion	2500.00
	25,214.90

Schedule No. 7

OTHER LIABILITIES: (Item 31, Exhibit A)

[illegible]	$[illegible]

Schedule No. 8

BORROWED MONEY: (Item 23, Exhibit A)

To Whom Owed	Amount	Rate	Due Date	COLLATERAL Description	Unpaid Principal
Commercial and Farmers Bank	10000	Prime + 1%	Demand	mortgage	

Schedule No. 9

SUMMARY OF CERTIFICATES OF DEPOSIT, SAVINGS ACCOUNTS, OTHER SECURITIES, ETC.

Description	Amount	Rate	Due Date
EASTERN SAVINGS	$97,764.58	11.18%	—
MARYLAND CAPITAL S&L	176,272.10	10.54%	
AMERICAN S&L	100,000.00	10.10%	[illegible] 84
Fairfax S&L	104,186.37		
SANTA BARBARA S&L	100,000.00	10.75%	—
FIRST Progressive S&L	100.00		[illegible] 84
Freddie Mac	51,167.95		
	629,391.00		

FORM DLR/BSL/#18-14/8-80/81-192

Ridgeway Savings and Loan Association

EXAMINERS' COMMENTS

Comment 1:

At the conclusion of the examination, the examiner provided management with an exception sheet listing technical deficiencies in mortgage loans. The Board is requested to advise this Division of the corrective action taken by management with respect to the items listed on the exception sheet in its response to the report of examination.

Comment 2:

An analysis of the subsidiary mortgage loan records reflected the existence of five delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $125,777.40 as of the date of the current examination, representing a delinquency ratio of 1.9% of the total mortgage loan balances outstanding.

Comment 3:

An analysis of the records supporting free share loan No. 629 revealed that the interest disclosed on the Federal Truth-in-Lending was understated by $95.00.

Comment 4:

A review of deposits in other financial institutions revealed the following:

Maryland Capital Savings & Loan
Account #12-02-0000001173
Balance as of February 29, 1984 $174,802.23

Fairfax Savings Association
Account #50-01-81557
Balance as of February 29, 1984 $104,186.37

These accounts are in violation of Regulation .37, which states: A State-Chartered association may deposit funds in any financial institution of this State provided the deposit is insured by MSSIC, et al. Each deposit may not exceed the applicable insurance limitation. MSSIC's current limitation is $100,000 per each account.

Comment 5:

The Association has sustained net operating losses for Fiscal Years Ended July 31, 1982 and July 31, 1983. The loss for Fiscal Year Ended July 31, 1982 was $81,225.71. The loss for Fiscal Year Ended July 31, 1983 of $82,207.61 was reduced by $18,582.14 (Accrued Interest) for a net loss of $63,625.47. Losses for both years totaled $145,833.08.

Comment 6:

A review of the minutes of the meetings of the Board of Directors revealed the following:

A. The minutes did not reflect dividend resolutions prior to the payment of dividends to the free shareholders for the periods ending April 30, 1983, July 31, 1983 and January 31, 1984.

The minutes also did not reflect any resolutions prior to the payment of dividends on savings certificates for the above stated periods.

2472

6. The minutes did not reflect that the following loans were approved by the Board of Directors:

Loan Nos.:

893	896	897	898	899
901	902	904	905	907
909	912	916	919	924
928				

Comment 7:

A review of the interest being paid on mortgagors' escrow accounts revealed that the rate currently being paid was 3%, amounting to $1,887.43.

C L 12-109 requires that interest shall be paid on escrow accounts at the rate of interest regularly paid by the lending institution on regular passbook savings accounts.

Therefore, the association must reimburse those mortgage holders for the difference of 3%, or $1,887.43, as the current rate of interest being paid to the free shareholders is 6% per annum.

Comment 8:

Loan No. 891 was granted upon the security of improved commercial property with loan-to-appraisal ratio in excess of 100% of the market value of the security.

Regulation .30C(4)(b) states that the aggregate amount of any amortizing loan upon the security of improved commercial property may not exceed 80% of the value of the security.

Comment 9:

As of the date of the current examination, the association's total net worth was $225,716.97, or 2.87% of its savings liability of $7,870,146.10. The association's net worth consisted of the following (as defined in Regulation .40-1A):

Reserve for Bad Debts	$308,533.48
Undivided Profits	(162,685.28)
Current Earnings	24,868.77
Hypo's	55,000.00
	$225,716.97

Regulation .40-1B states:

"B. Reserves. In order to maintain the safety and soundness of an association and to assure that the public interest is protected in accordance with Section 9-327 of the Financial Institutions Article, an association shall maintain reserves at all times which exceed 3 percent of its savings liability."

Comment 10:

Comments which remain uncorrected from the examination of February 28, 1983 are as follows:

Comment 1:

E. Loan file Nos. 856, 862, 865, 866, 868, 870 and 871 did not contain certificate of title as required by Regulation .29A(2)(e).

2473

INFORMATIONAL COMMENTS:

A. A comparative analysis of the financial condition of the association as of February 29, 1984 and February 28, 1983 revealed the following:

	February 29, 1984	February 28, 1983	Increase (Decrease) Dollar Amount	Per Cent
Total Savings	$7,867,654.10	$6,978,920.08	$888,734.02	12.7
Total Net Worth	186,718.20	170,473.67	16,244.53	9.5
Total Mortgage Loans	6,543,999.76	6,086,627.99	457,371.77	7.5
Total Assets	8,127,425.10	7,194,678.91	932,746.19	13.0

B. A review of the association's earnings for the fiscal year ended July 31, 1983 disclosed the following:

	Dollar Amount	% to Net Oper. Inc.
1. Net operating income (Page 6, Line 1)	$624,039.40	100.0
2. Taxes (Page 6, Line 4)	---	---
3. Earnings distributed on savings (Page 6, Line 3)	706,247.01	113.2
4. Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	(82,207.61)	(13.2)
5. Net income distributed (Total of 2, 3 and 4 above)	$624,039.40	100.0

2474

State of Maryland

Department of Licensing and Regulation
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
One South Calvert Street - Suite 1006 - Baltimore, Maryland 21202

Ridgeway Savings & Loan — Name of Association

2/29/84 — Date of Examination

Dear Mrs Tyler

It will assist us in completing our examination if you will furnish the following information. Please complete and return prior to the completion of the examination. If additional space is required, please attach a letter directed to me.

Loan Commitments

	No. of loans	Type (1)	Location (2)	Amount
30 days	1	Cons & Per	Frederick Co.	100,00-
	1	Cons & Per	Howard Co.	183,000
	4	Residential	City	107,650
31/59 days	3	Residential	Balto Co	225,700
60/89 days				
90 days/one year				
over one year				

(1) Type refers to residential, commercial, construction, others
(2) Location refers to Baltimore City, each county, or out of state.

Signature: Rosemary Tyler — Date: 5/2/84

Title: Sec

2475

FORM DLR/BSL/#25-17D/8-80/81-192

(Please Print in Ink or Type)

Copy

ANNUAL REPORT

of

Ridgeway Savings and Loan Association
(ASSOCIATION'S LEGAL CORPORATE NAME)

City of Catonsville County of Baltimore Zip Code 21228

Principal Office 1124 North Rolling Road

Mailing Address 1124 North Rolling Road, 21228

Date of Incorporation 1955

Office Hours M-F 9-3 Sat 9-1

Date of Annual Meeting September 21,1983

Tel. Numbers: Association's 744-0444

Secretary's 465-6006

TO THE

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS

For the fiscal year or calendar year ended July 31, 1983 , 19

OFFICERS

President W. Walter Farnandis
Address 1124 N Rolling Road,
Baltimore, Md. 21228

Vice President W. Walter Farnandis III
Address 9106 Winding Way
Ellicott City, Md. 21043

Attorney W. Walter Farnandis
Address 1124 N Rolling Road
Baltimore, Maryland 21228

Resident Agent W. Walter Farnandis
Address 1124 N Rolling Road
Baltimore, Maryland 21228
Phone Number 744-0444

Secretary Rosemary Tyler
Address 9095 Frederick Road
Ellicott City, Md. 21043

Managing Off. Rosemary Tyler
Address 9095 Frederick Rd
Ellicott City, Md. 21043

Treasurer Grace Devitt
Address Park Ave
Ellicott City, Md. 21043

BRANCHES

	Location	Date Established
1.	9095 Frederick Rd Ellicott City, Md. 21043	1976
2.		
3.		
4.	2170	
5.		

(16-96)

FORM DLR/BSL/#41/11-82/8C/83-324

STATEMENT OF CONDITION

ASSETS

	Last Fiscal or Calendar Year as of July 31, 1983 (DATE)	Preceding Fiscal or Calendar Year as of July 31, 1983 (DATE)
1. First Mortgage Loans	$ 6,464,591	$ 5,666,472
2. Second Mortgage Loans		
3. Free Share Loans	95,999	89,766
4. Other Loans (Itemize):		
Misc		25
5. Real Estate Sold on Contract		
6. REO-Exclusive of Office Bldg. (Less Dep. Allowance)		
7. Ground Rents Owned	7,583	7,583
8. Investments (Schedule)		
9. M.S.S.I.C. Deposit	166,500	153,300
10. Cash on Hand and in Bank	997,361	106,207
11. Office Building (Less Dep. Allowance)	137,695	143,205
12. Leasehold Improvements (Less Amortization)	627	705
13. Furniture, Fixtures, and Equipment (Less Dep. Allowance)	11,910	13,349
14. Deferred Charges (Itemize):		
Insurance	1,391	1,284
Taxes	2,782	2,569
other	1,812	
15. Other Assets (Schedule) Tax refunds	35,032	17,970
16. Total Assets	$ 7,923,283	$ 6,202,635

Number of Mortgages	274	
Number of Free Shares	975	

2477

STATEMENT OF CONDITION (CONTINUED)

LIABILITIES

	Last Fiscal or Calendar Year as of July 31, 1983 (DATE)	Preceding Fiscal or Calendar Year as of July 31, 1982 (DATE)
17. Free Shares	$ 4,584,059	$ 5,861,643
18. Variable Div. Certificates	3,009,073	
19. Matured/Installment Shares		
20. Other Accounts (Itemize):		
Escrow Funds	148,920	98,114
21. Advances from FHLB		
22. Borrowed Money (Itemize):		
Commercial & Farmers	100	100
23. Mortgages on REO		
24. Interest Accrued on Lines 21, 22, and 23		
25. Div. Declared--Unpaid		
26. Taxes Accrued and Unpaid on REO		
27. Accounts Payable	4,283	1,725
28. Loans in Process		
29. Borrowers' Exp. Accts.		
30. Other Liabilities (Schedule)		
31. Deferred Credits (Itemize):		
32. Specific Reserves (Itemize):		
33. Total Liabilities	$ 7,746,435	$ 5,961,582
34. *Guaranty Stock	$	$
35. Paid-In Surplus		
36. Reserve for Bad Debts	308,533	308,533
37. Surplus		
38. Undivided Profits	(131,685)	(67,480)
39. Total Capital (Lines 34 to 38, Inclusive)	$ 176,848	$ 241,053
40. Total Capital & Liab.	$ 7,923,283	$ 6,202,635

* Guaranty Stock		
No. of Shares Authorized		
No. of Shares Issued	2375	
Par Value	$	$
Amt. Paid Over Par	$	$

STATEMENT OF OPERATIONS

	Last Fiscal or Calendar Year Ending July 31, 1983	Preceding Fiscal or Calendar Year Ending July 31, 1982
I. GROSS OPERATING INCOME:		
1. Interest on mortgage loans	$ 685,096	$ 596,973
2. Interest on other loans	8,260	8,361
3. Interest on investments and bank deposits	52,270	21,067
4. Dividends on Federal Home Loan Bank Stock		
5. Ground rent income	267	359
6. Initial service charges (Commitment Fees, Points, etc.)	4,434	1,522
7. Other fees	9,724	6,641
8. Gross income from office building	3,545	3,350
9. Net income (or loss) from operation of Real Estate Owned		
10. Miscellaneous operating income (Submit Detailed Schedule)	5,358	250
11. Gross income before interest charges (Total of items 1 through 10)	$ 768,954	$ 638,523
12. Less interest paid on borrowed money	13	21,155
13. Gross income after interest charges (Items 11 less item 12)	$ 768,941	$ 617,368
II. OPERATING EXPENSE:		
14. Salaries of officers, directors and employees	$ 56,032	$ 53,338
15. Directors' fees	7,850	700
16. Expense accounts of officers, directors and employees		
17. Legal fees	3,122	1,194
18. Accounting fees	3,935	2,400
19. Office building expenses (if owned): Repairs, taxes, maintenance and depreciation	8,532	8,374
20. Rent, light, heat, etc.	13,623	13,423
21. Furniture, fixtures and equipment expense (including depreciation)	5,295	5,106
22. Advertising	11,394	7,367
23. Insurance and bond premiums	2,725	2,815
24. Taxes (other than Federal Income Tax)	9,181	7,780
25. Losses (other than on real estate)		
26. Other operating expenses (Submit Detailed Schedule)	23,215	20,164
27. Total operating expenses (Total of items 14 through 26)	$ 144,904	$ 122,661
III. NET OPERATING PROFIT (OR LOSS) (Item 13 less item 27) (Carried forward to page 5)	$ 624,037	$ 494,707

2479

STATEMENT OF OPERATIONS (CONTINUED)

	Last Fiscal or Calendar Year Ending July 31, 1983	Preceding Fiscal or Calendar Year Ending July 31, 1982
III. NET OPERATING PROFIT (OR LOSS) (carried forward from page 4)	$ 624,037	$ 494,707
IV. ADD—NON-OPERATING INCOME (Itemize):		
	$	$
V. LESS—NON-OPERATING CHARGES (Itemize):		
	$	$
VI. NET INCOME AFTER INTEREST AND BEFORE TAXES	$ 624,037	$ 494,707
VII. LESS—INCOME TAXES:		
28. Federal income taxes	$ (18,000)	$ (12,522)
29. Other income taxes		
30. Total income taxes	$ (18,000)	$ (12,522)
VIII. NET PROFIT (OR LOSS) AFTER INCOME TAXES (Item VI less item 30)	*$ 642,037	$ 507,229
IX. DISTRIBUTION OF NET PROFIT:		
31. Transferred to Reserve for Bad Debts	$	$
32. Dividends Paid (Annual Rate ____% ____%)	706,242	572,874
33. Transferred to or (from) Surplus		
34. Transferred to or (from) Undivided Profits	(64,205)	(65,645)
X. TOTAL DISTRIBUTION OF NET PROFIT	*$ 642,037	$ 507,229

*TOTALS MUST AGREE

XI. DIRECT CHARGES OR CREDITS TO RESERVE ACCOUNTS (Itemize):

	$	$

2430

OFFICERS, DIRECTORS AND ATTORNEY

(List all officers and directors whether or not they received compensation or have shares in the association)

	Name Mailing Address Occupation	Salary and Fees	Expense Accounts	Value of Shares Held in Association *
1.	W. Walter Farnandis 6202 Old Columbia Pike Columbia, Md.	$ 1,100	$	$ 15,798.96
2.	W. Walter Farnandis III 9106 Winding Way Ellicott City, Md. 21043	$ 450.	$	$ 200.00
3.	Anita Wilcox 685 Gaither Road Sykesville, Md. 21784	$ ---	$	$ 67,281.79
4.	Grace Devitt Park Ave Ellicott City, Md. 21043	$ ---	$	$ 6,940.96
5.	Joseph Frey Maple Ave Sykesville,Md 21784	$ 950.	$	$ 9,463.52
6.		$	$	$
7.	Rosemary Tyler 5630 Manor Drive Woodbine Md. 21797	$ 15,532.70	$	$ 1,181.13
8.		$	$	$
9.		$	$	$
10.		$	$	$
11.		$	$	$
12.		$	$	$
13.		$	$	$
	TOTALS	$ 18,032.70	$ ----	$ 100,866.36

FIDELITY BONDS

Amount 275,000 Name of Surety Company Fidelity Deposit Expiration Date 11-83

* Stock associations must submit a schedule of shares of stock held by each officer, director and employee, including any beneficial ownership.

2381

AFFIDAVIT

State of Maryland

Baltimore City/County

W. Walter Farnandis being duly sworn, deposes and says that he is the Managing Officer of Ridgeway Savings & Loan Association of Baltimore and that the foregoing statements, to the best of his knowledge and belief, are true and correctly show its financial condition for the period indicated, and are a true statement of its affairs and business.

[illegible]

Signature and Title of Managing Officer

Subscribed and sworn to before me, this 18th

day of October, 19 [illegible].

Signature [illegible]

Address [illegible]

My Commission expires July 1, 19 [illegible]

2482

DIRECTORS' ACCEPTANCE OF ELECTION

We, the undersigned, having been duly elected as directors of ______________ Ridgeway Savings and Loan ______________ Association do hereby accept the office of director, for a term as indicated opposite our signatures:

	NAME OF DIRECTOR (Please Type)	ADDRESS	TERM	SIGNATURE
1.	W. Walter Farnandis III	9106 Winding Way, 21043	3 yrs	[illegible] III
2.	Grace Devitt	4602 Beechwood Rd Ellicott City MD.	3 yrs	Grace E. Devitt
3.	Anita Wilcox	Gaither Rd, Sykesville 21784	3 yrs	[illegible]
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				

THE ABOVE DIRECTORS WERE ELECTED AT THE ANNUAL MEETING HELD ON:

September 21, 1983
(Date)

____
(Secretary)

THIS FORM MUST BE COMPLETED BY ALL DIRECTORS AS REQUIRED BY REGULATION .32 AND RETURNED TO THE DIVISION OF BUILDING, SAVINGS AND LOAN ASSOCIATIONS WITHIN THIRTY DAYS AFTER THE ELECTION OF SUCH DIRECTORS.

THE DIVISION STRONGLY SUGGESTS THAT EACH DIRECTOR REVIEW THE PROVISIONS OF SUBTITLE 4 OF TITLE 2 OF THE CORPORATIONS AND ASSOCIATIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND. THIS SUBTITLE SETS FORTH THE SPECIFIC RIGHTS AND RESPONSIBILITIES OF DIRECTORS UNDER MARYLAND LAW, ESTABLISHES A STANDARD OF CARE FOR DIRECTORS, AND PROVIDES GUIDELINES FOR TRANSACTIONS BETWEEN AN ASSOCIATION AND AN INTERESTED DIRECTOR.

WE ALSO SUGGEST THAT EACH DIRECTOR REVIEW THE REQUIREMENTS OF ARTICLE 23, §161W OF THE CODE AS WELL AS REGULATION .43 WHICH SPECIFICALLY GOVERN TRANSACTIONS INVOLVING OFFICERS AND DIRECTORS AND THE ASSOCIATIONS THEY SERVE.

LASTLY, THE DIVISION RECOMMENDS A PUBLICATION ENTITLED "A BANK DIRECTOR'S JOB" WHICH MAY BE OBTAINED FROM THE AMERICAN BANKER'S ASSOCIATION, 1120 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20036.

FORM: DLR/BSL/#38/8-79/BC/79-1188

2483

HARRY HUGHES
GOVERNOR

STATE OF MARYLAND

CHARLES H. BROWN, JR.
DIRECTOR

JOHN J. CORBLEY
SECRETARY

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
231 EAST BALTIMORE STREET BALTIMORE, MARYLAND 21202
SEVENTH FLOOR
301/659-6330

June 4, 1984

Board of Directors
Ridgeway Savings and Loan Association
9095 Frederick Road
Ellicott City, Maryland 21043

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of February 28, 1984 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and the exceptions discussed with management. The Board's attention is directed to Examiners' Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended July 31, 1983.

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this Division in writing of the specific corrective action taken with respect to these matters.

We would also request that two copies of this response be forwarded to the Division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

Very truly yours,

Charles H. Brown

Charles H. Brown, Jr.
Director

CHB:JJB:kg
Enclosure

IIIG8

2484

cc: Maryland Savings-Share Insurance Corporation

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TOLL-FREE 1-800-492-7521

TTY FOR DEAF
BALTO. AREA 383-7555

Ridgeway Savings and Loan Association

EXAMINERS' COMMENTS

Comment 1:

At the conclusion of the examination, the examiner provided management with an exception sheet listing technical deficiencies in mortgage loans. The Board is requested to advise this Division of the corrective action taken by management with respect to the items listed on the exception sheet in its response to the report of examination.

Comment 2:

An analysis of the subsidiary mortgage loan records reflected the existence of five delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $125,777.40 as of the date of the current examination, representing a delinquency ratio of 1.9% of the total mortgage loan balances outstanding.

Comment 3:

An analysis of the records supporting free share loan No. 629 revealed that the interest disclosed on the Federal Truth-in-Lending was understated by $95.00.

Comment 4:

A review of deposits in other financial institutions revealed the following:

Maryland Capital Savings & Loan Account #12-02-0000001173 Balance as of February 29, 1984	$174,802.23
Fairfax Savings Association Account #50-01-81557 Balance as of February 29, 1984	$104,186.37

These accounts are in violation of Regulation .37, which states: A State-Chartered association may deposit funds in any financial institution of this State provided the deposit is insured by MSSIC, et al. Each deposit may not exceed the applicable insurance limitation. MSSIC's current limitation is $100,000 per each account.

Comment 5:

The Association has sustained net operating losses for Fiscal Years Ended July 31, 1982 and July 31, 1983. The loss for Fiscal Year Ended July 31, 1982 was $81,225.71. The loss for Fiscal Year Ended July 31, 1983 of $82,207.61 was reduced by $18,582.14 (Accrued Interest) for a net loss of $63,625.47. Losses for both years totaled $145,833.08.

Comment 6:

A review of the minutes of the meetings of the Board of Directors revealed the following:

A. The minutes did not reflect dividend resolutions prior to the payment of dividends to the free shareholders for the periods ending April 30, 1983, July 31, 1983 and January 31, 1984.

The minutes also did not reflect any resolutions prior to the payment of dividends on savings certificates for the above stated periods.

B. The minutes did not reflect that the following loans were approved by the Board of Directors:

Loan Nos.:

893	896	897	898	899
901	902	904	905	907
909	912	916	919	924
928				

Comment 7:

A review of the interest being paid on mortgagors' escrow accounts revealed that the rate currently being paid was 3%, amounting to $1,887.43.

C L 12-109 requires that interest shall be paid on escrow accounts at the rate of interest regularly paid by the lending institution on regular passbook savings accounts.

Therefore, the association must reimburse those mortgage holders for the difference of 3%, or $1,887.43, as the current rate of interest being paid to the free shareholders is 6% per annum.

Comment 8:

Loan No. 891 was granted upon the security of improved commercial property with loan-to-appraisal ratio in excess of 100% of the market value of the security.

Regulation .30C(4)(b) states that the aggregate amount of any amortizing loan upon the security of improved commercial property may not exceed 80% of the value of the security.

Comment 9:

As of the date of the current examination, the association's total net worth was $225,716.97, or 2.87% of its savings liability of $7,870,146.10. The association's net worth consisted of the following (as defined in Regulation .40-1A):

Reserve for Bad Debts	$308,533.48
Undivided Profits	(162,685.28)
Current Earnings	24,868.77
Hypo's	55,000.00
	$225,716.97

Regulation .40-1B states:

"B. Reserves. In order to maintain the safety and soundness of an association and to assure that the public interest is protected in accordance with Section 9-327 of the Financial Institutions Article, an association shall maintain reserves at all times which exceed 3 percent of its savings liability."

Comment 10:

Comments which remain uncorrected from the examination of February 28, 1983 are as follows:

Comment 1:

E. Loan file Nos. 856, 862, 865, 866, 868, 870 and 871 did not contain certificate of title as required by Regulation .29A(2)(e).

2486

INFORMATIONAL COMMENTS:

A. A comparative analysis of the financial condition of the association as of February 29, 1984 and February 28, 1983 revealed the following:

	February 29, 1984	February 28, 1983	Increase (Decrease) Dollar Amount	Per Cent
Total Savings	$7,867,654.10	$6,978,920.08	$888,734.02	12.7
Total Net Worth	186,718.20	170,473.67	16,244.53	9.5
Total Mortgage Loans	6,543,999.76	6,086,627.99	457,371.77	7.5
Total Assets	8,127,425.10	7,194,678.91	932,746.19	13.0

B. A review of the association's earnings for the fiscal year ended July 31, 1983 disclosed the following:

		Dollar Amount	% to Net Oper. Inc.
1.	Net operating income (Page 6, Line 1)	$624,039.40	100.0
2.	Taxes (Page 6, Line 4)	---	---
3.	Earnings distributed on savings (Page 6, Line 3)	706,247.01	113.2
4.	Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	(82,207.61)	(13.2)
5.	Net income distributed (Total of 2, 3 and 4 above)	$624,039.40	100.0

2487

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of February 28, 1984 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and the exceptions discussed with management. The Board's attention is directed to Examiner's Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended JULY 31, 198

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this division in writing of the specific corrective action taken with respect to these matters.

We would also request that two copies of this response be forward to the division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

EXCEPTIONS DISCUSSED WI

AUG 8 1984

MINUTES

The Meeting of the Board of Directors of Ridgeway Savings and Loan Association was called to order by the President at 8:00 p.m. on Wednesday, June 20, 1984.

All of the Directors were present except Joseph Frey.

The Secretary's Report was approved as read.

The Treasurer's Report is as follows:

ROLLING ROAD OFFICE		
Cash on hand	8,450.00	
First National Bank	1,250.00	
Fairfax S. & L.	106,745.36	
Commercial & Farmers Bank	8,564.08	
Eastern S. & L.	100,469.52	
Santa Barbara S. & L.	100,000.00	
State S. & L.	102,625.00	
Commercial Credit S. & L.	130,995.18	
MSSIC Deposit	156,100.00	
Central Reserve Fund	39,300.00	$ 754,499.19
ELLICOTT CITY OFFICE		
Cash on hand	7,250.00	
Union Trust	41,943.87	49,193.87
TOTAL BOTH OFFICES		$ 803,693.06

LOANS:

Commercial & Farmers $100.00

BUSINESS:

1. The examination by the State examiners of the Association was reviewed by all of the Directors and answers to their comments are as follows:

Comment 1. Management is taking positive steps in correcting files and bringing them to date with the various technical papers that were missing or incorrect. As of this time , this has been accomplished.

Comment 2: Action has been taken on the several deliquent accounts. The Clifford property, 2317 Old Frederick Road, was foreclosed and sold at public auction for approximately $18,000.00 more than owed on the mortgage.

John Eades is in bankruptcy but is paying slowly.

Comment 4: At this time the various savings accounts have been reduced to $100,000.00, but as a comment, we feel that Fairfax Savings and Loan and Commercial Credit Savings and Loan are certainly secure enough for us not be concerned about the deposits being over the limit of Maryland Savings-Share Insurance Corporation, especially Commercial Credit Savings and Loan.

IIIG9

Comment 5: The monthly repot of June 30, 1984 shows that the Association h[as] a profit of $66,000.00 so that we will not be faced with a loss this year.

Comment 6: The minutes will not reflect all dividend resolutions including savings certificates. As our comment, it seems ridiculous each quarter to have to type in the minutes the declaration of dividends, especially for certificates where we are obligated to pay the stated dividend whether we declare it or not. We suggest that the Board remove this requirement as it certainly is not in step with the daily business market.

Comment 6-b: The By-laws of Ridgeway provide that any loan shall be approved by 2 Directors and the President. Quite often loans do not appear in the minutes although they have been approved.

Comment 7: The necessary steps have been taken to to correct the savings accounts in accordance with this comment.

Comment 8: Loan No. 891 involves the purchase of an $18,000.00 pieces of property by a person who pledged their $150,000.00 home as security for the loan. The examiners failed to note this.

Comment 9: The Association is working on its net worth and its present profit plus its conversion to stock should resolve this problem.

Comment 10: These have been corrected.

2. We have received a report from the Trident Corporation regarding our stock conversion and this has been forwarded to the State Board.

3. The Association is contemplating erecting a condominium office building on it's property at 9095 Frederick Road, Ellicott City, Maryland, the President has been authorized to spend $500.00 for an architect to present a preliminary plan.

4. The foreclosure of Curtis Byrd, who was 4 months in arrears, was set for June 27, 1984 at 2:00 P.M.. On the morning of June 27th at approximately noon, Mr. Byrd declared bankruptcy, so the entire matter is now at a standstill.

5. The Board approved the following loans:

Loop Road, Ocean City - Leslie & Anne Costello - $78,000.00 ARM 10% + 3 points - 30 years

7200 Pinecrest Road - William Bostic - $55,000.00 14% + 2 points 25 years

Butte Road - Albert & Theresa Goff - second mortgage $6,000.00 15% + 2 points 15 years

2036 Eastern Avenue - Douglas Lester Sexton - $77,000.00 15% + 2 points 15 ye[ars]

Farina Property = Glen & Carol Farina - second mortgage -$10,000.00 15% + 2 points 15 years

202 Amity Street - Clifton Taylor & Dwight Hooper $6,500.00 15% + 2 points
12 years

1340 S. Hanover Street - Robert Henderson & Stephen Ramspacher $51,750.00
15% + 2 points 20 years

Getting Road - Douglas & Deborah Bills - $57,000.00 construction 15% + 1 point
20 years permanent 14% + 2 points

There being no further business, the President adjourned the meeting at 9:30 P.M.

Respectfully submitted,

Rosemary Tyler

Rosemary Tyler, Secretary

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
1124 N. Rolling Road
Catonsville, Md. 21228
744-0444
9095 Frederick Road
Ellicott City, Md. 21043
465-6006

July 30, 1984

Dept of Licensing & Regulation
Division of Building & Loan Associations
231 East Baltimore Street
7th Floor
American Building
Baltimore, Maryland21202

Gentlemen:

Enclosed please find a copy of the minutes of the meeting at which we discussed the state examination.

If you should have any questions, please call me at our Ellicott City office.

Very truly yours,

Rosemary Tyler

Rosemary Tyler
Secretary

Enclosure

RECEIVED
DEPT. OF LIC. & REG.
DIV OF SAV...

AUG 3 1984

REPLY TO:
Catonsville Office
Ellicott City Office

IIIG10

2492

MAY 9 1984

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

FORM AC

Application for Approval of
Conversion

Dated: May 7, 1984

2433

IIIG11

TABLE OF CONTENTS

APPLICATION FOR APPROVAL OF CONVERSION

2495

RECEIVED
DEPT. OF LIC. & REG.
DIV. OF SAV. & LOAN ASSNS.

MAY 9 1986

H.D.

APPLICATION AND APPROVAL

OF BOARD OF DIRECTORS

The undersigned hereby makes Application for Approval to convert into a capital stock association and submits herewith a statement of its proposed Plan of Conversion and other information and exhibits as required by the Rules and Regulations of the Board of Savings and Loan Commissioners.

In submitting this Application, the Applicant understands and agrees that, if further examinations or appraisals, or both, are required by the Director pursuant to the Rules and Regulations, the same will be conducted by, or as approved by, the Director at the expense of the Applicant; and the Applicant will pay the cost thereof as determined by the Director.

This Application has been approved by the Board of Directors of the Applicant. By the filing of this Application, the Applicant by its duly authorized representative, the undersigned officers and each member of the Applicant's Board of Directors severally represent (1) that each person has read this Application; (2) that in the opinion of each such person, he has made such examination and investigation as is necessary to enable him to express an informed opinion that this Application complies to the best of his knowledge and belief with the applicable requirements of the Rules and Regulations of the Board of Savings and Loan Commissioners; and (3) that each such person holds such informed opinion.

ATTEST:

Rosemary Tyler
Rosemary Tyler
Secretary

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

By W. Walter Farnandis
W. Walter Farnandis
(Principal Executive Officer)

Grace E. Devitt
Grace Devitt
Treasurer and Director

Joseph L. Frey
Joseph Frey
Director

Anita C. Wilcox
Anita C. Wilcox
Director

W. Walter Farnandis III
W. Walter Farnandis III
Vice President and Director

As Filed With The Division of Savings and Loan
Associations on May 7, 1984

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS

321 East Baltimore

Seventh Floor

Baltimore, Maryland 21202

FORM AC

APPLICATION

FOR

APPROVAL OF CONVERSION

RIDGEWAY SAVINGS AND

LOAN ASSOCIATION

(Exact Name of Applicant as Specified in Articles of Incorporation)

1124 North Rolling Road
(Street Address of Applicant)

Catonsville, Maryland 21228
(City, State and Zip Code of Applicant)

Robert B. Greenwalt, Esquire

1124 North Rolling Road

Catonsville, Maryland 21228
(Name and Address of Agent for Service)

Date: May 7, 1984

2497

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

Catonsville, Maryland

PLAN OF CONVERSION

From Mutual to Stock Organization

I. General

On May 2, 1984, the Board of Directors of Ridgeway Savings and Loan Association (the "Association") unanimously adopted a Plan of Conversion ("Plan") whereby the Association will convert from a state-chartered mutual savings and loan association to a state-chartered stock association pursuant to the laws of the State of Maryland, and the Regulations of the Maryland Board of Savings and Loan Commissioners ("Board"). Pursuant to the Plan, shares of capital stock ("shares" or "stock") shall be offered first to eligible account holders and then to such other persons as are defined by the Plan at a predetermined and uniform price. The price shall be based upon an independent appraisal of the Association and shall reflect its pro forma market value as converted. The Plan provides that non-transferable subscription rights to purchase stock will be offered first to the Association's eligible account holders, of record as of January 31, 1984 and then to the Association's supplemental eligible account holders, (as applicable), and then to the extent that stock is available, to other members of the Association, to the officers and directors of the Association, and, lastly, in an offering to the general public by the Association. It is the desire of the Board of Directors of the Association to attract new capital to the Association, as converted, in order to increase its net worth, to increase the amount of funds available for residential and other lending, and to provide greater resources for purposes of branching and the expansion of customer services. No change shall be made in the Board of Directors or Management as a result of the conversion, nor will the Association's reserves or net worth be reduced. Capital stock to be issued in the conversion cannot and will not be insured by the Maryland Savings-Share Insurance Corporation.

II. Definitions

A. Association: Ridgeway Savings and Loan Association

B. Board: Board of Savings and Loan Commissioners, State of Maryland

C. Conversion: Amendment of Association's Articles of Incorporation ("Charter") and By-Laws to authorize issuance of shares of Capital stock by the converted Association and to conform to the requirements of a state-chartered capital stock association under the laws of the State of Maryland the Regulations of the Board.

D. Date of Record: Date upon which members of the Association entitled to vote at the Special Meeting of Members is determined.

E. Division Director: Director of the Division of Savings and Loan Associations, State of Maryland.

F. Eligibility Record Date: January 31, 1984

G. Eligible Account Holder: Holder of a savings account in the Association on

H. Capital Stock: Shares of common stock in the converted Association to be offered pursuant to the Plan of Conversion.

I. MSSIC: Maryland Savings-Share Insurance Corporation.

J. Members: All persons or entities who qualify as members of the Association pursuant to the laws of the State of Maryland and the Association's Charter and By-Laws.

K. Order Forms: Forms sent to eligible account holders and other parties eligible to purchase stock pursuant to the Plan of Conversion.

L. Other Members: Holders of savings accounts (other than eligible account holders) in the Association as of the date of record who continue in such capacity to the date of the special meeting.

M. Plan: Plan of Conversion under which the Association intends to convert from a state-chartered mutual savings and loan association to a state-chartered capital stock association.

N. Qualifying Deposit: Savings balance in any account in the Association as of the eligibility record date.

O. Savings Account: Withdrawable deposit in the Association.

P. Special Meeting: The Special Meeting of Members called for the purpose of considering the Plan of Conversion for approval.

Q. Subscription Rights: Non-transferable, non-negotiable, personal rights of eligible account holders, other members, and the officers and directors of the Association, to purchase shares of stock offered under the Plan of Conversion.

R. Supplemental Eligibility Record Date: Date for determining supplemental stock subscription rights, if required, and as approved by the Director.

S. Supplemental Eligible Account Holder: Holder of a savings deposit in the Association on the Supplemental Eligibility Record Date.

III. Steps Prior to Submission of Plan of Conversion to the Members for Approval

Prior to submission of the Plan of Conversion to its members for approval, the Association must receive preliminary approval from the Division Director of the Application for Approval of Conversion to convert to a capital stock association. The following steps must be taken prior to such preliminary approval.

A. The Board of Directors shall adopt the Plan by not less than a two-thirds vote; thereafter an Application for Approval of Conversion shall be filed with the Division Director.

B. Upon receipt of advice from the Division Director that the Application has been received, is in the prescribed form, and is not materially incomplete, the Association shall publish a "Notice of Filing of an Application for Conversion to convert to a Stock Savings and Loan Association" in a form approved by the Division Director, in a newspaper of general circulation in each community where the association maintains an office. The Association shall also mail a copy of such notice to each of its eligible account holders and members.

C. The Association shall obtain an opinion of counsel or a favorable ruling from the Internal Revenue Service which shall state that the conversion of the Association to a stock association will not result in any gain or loss for federal income tax purposes to the converted Association or its eligible account holders and other members. Receipt of a favorable opinion or ruling is a condition precedent to completion of the conversion.

The Plan shall be submitted to the members after preliminary approval by the Division Director, and after the Association has received a favorable tax opinion from counsel and/or a favorable tax ruling from the Internal Revenue Service.

IV. Meeting of Members

Subsequent to the preliminary approval of the Plan by the Division Director, a Special Meeting of Members to vote on the Plan shall be scheduled in accordance with the laws of the State of Maryland and the Association's By-Laws. Promptly after receipt of preliminary approval, and at least 10 days prior to the meeting, the Association shall distribute proxy solicitation materials, postage prepaid, to all savings Members and borrowers as of the date of record established for voting at the Special Meeting of Members and to all eligible account holders. The proxy materials will include a copy of the Plan and Proxy Statement, and other documents authorized for use by the Division Director and may also include a Subscription Offering Circular as provided below.

Pursuant to the Board's regulations, an affirmative vote of not less than a majority of the total outstanding votes of the Association's members shall be required for approval of the Plan. Voting may be in person or by proxy.

V. Offering Documents and Consummation of Conversion

The Association may commence the Subscription Offering concurrently with the proxy solicitation of Members, which may close following the Special Meeting of Members, such closure to be contingent on Member approval of the conversion at the Special Meeting. The Association shall not distribute the final Subscription Offering Circular until the same has been declared effective by the Division Director.

After approval of the Plan by the Association's members, the Association shall promptly file with the Division Director a certified copy of the minutes of the Special Meeting of Members, including each resolution adopted at the Special Meeting of Members relating to the Plan, together with other information required by law and regulation, and the executed Charter amendments and a conformed copy. On receipt of such minutes and executed Charter amendments, the Director shall, pursuant to Maryland law, endorse the executed copy of the Charter amendments as approved and send to the Association the endorsed copy of the charter amendments and a final order of approval of the Association's conversion to a capital stock association.

The conversion shall become effective concurrently with the sale of all the Association's capital stock pursuant to the Subscription Offering and any subsequent offering to the public and with the acceptance of an endorsed copy of the Association's amended Charter for record by the Department of Assessments and Taxation, State of Maryland.

VI. Stock Offering

A. General

Pursuant to the Plan, the Association intends to offer for sale shares of stock in the converted Association. The shares of capital stock to be issued shall have a par value of $1.00 per share, or such greater amount as the proposed amended Charter shall provide. The aggregate purchase price of all shares which shall be offered and sold shall be equal to the estimated pro forma market value of the converted Association, as determined in an independent appraisal by a qualified expert deemed acceptable by the Division Director.

B. Method of Offering Shares

Non-transferable subscription rights to purchase shares shall be issued at no cost to eligible account holders, other members, and certain other persons pursuant to priorities established by the Regulations of the Board. All shares of capital stock must be sold.

The priorities established by the Board's Regulations for the purchase of shares are as follows:

1. Preference Category No. 1: Eligible Account Holders

Each eligible account holder shall receive, without payment, non-transferable subscription rights to purchase capital stock in an amount equal to the greater of 200 shares, 1/10 of 1 percent of the total offering of shares or 15 times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of capital stock to be issued by a fraction of which the numerator is the amount of the qualifying deposit of the eligible account holder and the denominator is the total amount of qualifying deposits of all eligible account holders in the Association. If the exercise of subscription rights in this category results in an oversubscription, shares shall be allocated among subscribing eligible account holders so as to permit each such account holder, to the extent possible, to purchase a number of shares sufficient to make his total allocation equal to 100 shares. Any shares not so allocated shall be allocated among the subscribing eligible account holders on an equitable basis, related to the amounts of their respective qualifying deposits, as comparted to the total qualifying deposits of all eligible account holders.

2. Preference Category No. 2: Supplemental Eligible Account Holders

(a) In the event that regulatory action on the Association's Application for Approval of Conversion is delayed for more than 12 months from the date the Association's board of directors adopted the Plan of Conversion, then a category of supplemental eligible account holders may be established as of a date approved by the Director. Each supplemental eligible account holder of the Association shall receive, without payment, non-transferable subscription rights to purchase supplemental shares in an amount equal to the greater of 200 shares, 1/10 of one percent of the total offering of shares or 15 times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of capital stock to be issued by a fraction of which the numerator is the amount of the qualifying deposit of the supplemental eligible account holder and the denominator is the total amount of the qualifying deposits of all supplemental eligible account holders on the supplemental eligibility record date.

(b) Subscription rights received pursuant to this Category shall be subordinated to all rights received by eligible account holders to purchase shares pursuant to Category No. 1.

(c) Any non-transferable subscription rights to purchase shares received by an eligible account holder in accordance with Category No. 1 shall be applied in partial satisfaction of the subscription rights to be distributed pursuant to this Category.

(d) In the event of an oversubscription for supplemental shares pursuant to this Category, shares shall be allocated among the subscribing supplemental account holders as follows:

(1) Shares shall be allocated among subscribing supplemental eligible account holders so as to permit each such supplemental account holder, to the extent possible, to purchase a number of shares sufficient to make his total allocation (including the number of shares, if any, allocated in accordance with Category No. 1) equal to 100 shares.

(2) Any shares not allocated in accordance with subparagraph (1) above shall be allocated among the subscribing supplemental eligible account holders on an equitable basis, related to the amounts of their respective qualifying deposits as compared to the total qualifying deposits of all supplemental eligible account holders.

3. Preference Category No. 3: Other Members

Other members shall receive non-transferable subscription rights to purchase shares, after satisfying the subscriptions of eligible account holders provided for under Category Nos. 1 and 2 above, subject to the following conditions:

Each other member shall receive, without payment, non-transferable subscription rights to purchase 200 shares of capital stock. If the exercise of subscription rights in this category results in an oversubscription, shares shall be allocated among subscribing other members so as to permit each such person, to the extent possible, to purchase a number of shares sufficient to make his total allocation equal to 100 shares. Any shares not so allocated shall be allocated among the subscribing other members on an equitable basis, related to the amounts of their respective qualifying deposits, as compared to the total qualifying deposits of all other members.

4. Preference Category No. 4: Directors and Officers

Each director and officer of the Association, as of the date of the commencement of the subscription offering shall be entitled to purchase shares of stock to the extent that shares are available after satisfying (1) the subscriptions of eligible account holders and supplemental eligible account holders (as applicable) provided for under Category Nos. 1 and 2 above, and (2) the subscriptions of other Association members provided for under Category No. 3 above. The shares which may be purchased under this Category are subject to the following conditions:

a. The shares shall be allocated among directors and officers on a point system basis, whereby a point will be assigned for each year of service to the Association, and three points for each office held in the Association.

b. Upon determing the amount of shares a director or officer may purchase based upon the point system, any shares left unpurchased by any directors or officer, shall return to a pool of shares from which other interested directors or officers may purchase such shares based on the point system established. The right to obtain shares from such a pool of unpurchased shares shall exist only after the initial allocation of shares to officers or directors .

5. Preference Category No. 5: Offering to Public

Any shares not purchased through the exercise of the subscription rights set forth in Preference Category Nos. 1-4 inclusive, shall be sold to the general public, with preference given to residents of the Association's local community.

C. Certain Characteristics of Stock Being Sold.

1. General. Stock to be issued pursuant to the conversion shall have a par value of $1.00 per share, be nonassessable, and be nonwithdrawal in the event of liquidation until every claim and every liability of the converted Association is fully satisfied and every deposit is fully paid to its holder at its withdrawal value.

2. Repurchase and Dividend Rights. The converted Association may not repurchase any stock from any person without the prior written approval of the Director. The converted Association also may not declare or pay a cash dividend on or repurchase any of its stock if the result thereof would be to reduce the net worth of the converted Association below (1) the amount required for the liquidation account, or (2) the reserve and net worth requirements of the Board of MSSIC. Further, dividends with respect to capital stock may only be paid after interest is paid on every savings account.

3. Voting Rights. After Conversion, holders of savings accounts and obligors on loans will not have voting rights in the Association. Exclusive voting rights shall be vested in the holders of the stock issued by the Association. Each stockholder of the Association will be entitled to vote on any matters coming before the stockholders of the Association for consideration and will be entitled to one vote for each share of stock owned by said stockholder.

D. Mailing of Offering Materials and Collation of Subscriptions

After approval of the Plan by the Division Director, and the declaration of the effectiveness of the Subscription Offering Circular, the Association shall distribute such Circular and Order Forms for the purchase of shares to eligible account holders and other persons who may subscribe for such shares in Preference Category Nos. 1-4, inclusive. The Subscription Offering Circular and Order Forms shall have been approved by the Division Director prior to distribution.

The recipient of an Order Form shall be provided not less than 20 days from the date of mailing to properly complete, execute, and return the Order Form to the Association. Self-addressed, postage-prepaid, return envelopes shall accompany these forms when mailed out. The Association shall collate the returned executed forms upon completion of the subscription period. Failure of any recipient of subscription offering materials to return a properly completed and executed Order Form within the prescribed time shall be deemed a waiver and a release by such person of any rights to purchase shares hereunder. Order Forms for the purchase of conversion stock, once received by the Association, shall not be revocable.

E. Method of Payment

All shares offered hereby must be purchased in cash or by check or money order. If the subscriber has a savings account in the Association (including certificate of deposit), the subscriber may authorize the Association to charge the subscriber's account for the purchase amount. The Association shall pay interest at not less than the passbook rate on all amounts paid in cash or by check or money order to purchase shares of capital stock in the Subscription Offering from the date payment is received until the conversion is completed or terminated.

If a subscriber authorizes the Association to charge his or her savings account with the amount of the purchase price, the charge shall be made at the close of the subscription offering. The Association will pay interest on the amount authorized for withdrawal from the savings account as if the amount had remained in the account until the final closing date (i.e., the date when the last unsubscribed-for shares are purchased). The Association shall allow subscribers to purchase shares by withdrawing funds from certificate accounts without the assessment of early withdrawal penalties. However, if the balance remaining in such account after withdrawal is less than the required minimum, the certificate evidencing such account shall be cancelled. The remaining balance shall earn interest at the passbook rate. This waiver of the early withdrawal penalty is applicable only to withdrawals made in connection with the purchase of stock under the Plan of Conversion.

F. Undelivered, Defective, or Late Order Forms: Insufficient Payment

In the event Order Forms (a) are not delivered and are returned to the Association by the United States Postal Service, or the Association is unable to locate the addressee; (b) are not received back by the Association, or are received by the Association after the expiration date specified thereon; (c) are defectively completed or executed; or (d) are not accompanied by the total required payment for the shares of stock subscribed for (including cases in which the subscriber's savings account and/or certificate accounts are insufficient to cover the authorized withdrawal for the required payment), the subscription rights of the person to whom such rights have been granted shall lapse as though such person failed to return the completed Order Form within the time period specified therein. The Association may, but shall not be required to, waive any irregularity relating to any Order Form or require the submission of corrected Order Forms or the remittance of full payment for subscribed shares by such date as the Association may specify. The Association's interpretation of the terms and conditions of this Plan and of the Order Form shall be final.

G. Limitation on Purchases of Shares

No person may purchase more than 25% of the total shares issued in the conversion. Directors of the Association shall not be regarded as acting in concert with other directors solely because of membership on the Association's Board of Directors. The Association may deny a subscription or order tendered for shares if it has reasonable grounds to believe that such subscription would violate the foregoing purchase limitation.

H. Members in Non-Qualified States or In Foreign Countries

The Association will make reasonable efforts to comply with the securities laws of all states in the United States in which persons entitled to subscribe for stock pursuant to the Plan reside. However, no such person will be offered or receive any stock under this Plan who resides in a foreign country or who resides in a state of the United States with respect to which all of the following apply: (a) a small number of persons otherwise eligible to subscribe for shares under this Plan reside in such state; (b) the granting of subscription rights or offer or sale of shares of stock in the converted Association to such persons would require the converted Association to register, under the securities laws of such states, as a broker or dealer or to register, or otherwise qualify its securities for sale in such state; and (c) such registration or qualification would be impractical for reasons of cost or otherwise.

VII. Charter and By-Laws

As part of the conversion, an amended Charter and By-Laws for the converted Association shall be adopted to authorize the converted Association to operate as a state-chartered stock association. The total shares authorized under the amended Charter shall exceed the shares to be issued under the Plan. Copies of the proposed amended Charter and By-Laws shall be mailed to all Members as part of the proxy materials. By approving the Plan, the Members of the Association shall thereby approve the amended Charter and By-Laws.

After receipt for orders for the purchase of all stock offered pursuant to the Plan, and concurrently with the execution thereof, the Association's amended Charter shall become effective upon acceptance by the Department of Assessments and Taxation. The amended By-Laws approved by the Members shall also become effective at that time.

VIII. Status of Savings Accounts and Loans Subsequent to Conversion

All savings accounts in the Association shall retain the same status after conversion as these accounts had prior to conversion, except as to voting rights. Each savings account holder shall retain, without payment, a withdrawable savings account or accounts in the converted Association equal in amount to the withdrawable value of such account holder's savings account or accounts prior to conversion. All savings accounts shall continue to be insured by the MSSIC up to the applicable limits of insurance coverage. All loans shall retain the same status after conversion as those loans had prior to conversion, except that borrowers no longer shall have voting rights in that capacity.

IX. Liquidation Account

After Conversion, holders of savings accounts and borrowing members shall not be entitled to share in the residual assets after liquidation of the converted Association. However, pursuant to the Regulations of the Board, the converted Association shall, at the time of conversion, establish a liquidation account in an amount equal to its total net worth as of the date of the latest statement of financial condition in the Subscription Offering Circular. The function of the liquidation account is to establish a priority on liquidation and, except as provided in Paragraph VI.C.2 above, the existence of the liquidation account shall not operate to restrict the use or application of any of the net worth accounts of the converted Association.

The liquidation account shall be maintained by the converted Association subsequent to conversion for the benefit of eligible account holders and supplemental eligible account holders (as applicable) who retain their savings accounts in the converted Association. Each eligible account holder and supplemental eligible account holder shall, with respect to each savings account held, have a related inchoate interest in a portion of the liquidation account ("subaccount balance").

The initial subaccount balance for a savings account held by an eligible account holder or supplemental eligible account holder shall be determined by multiplying the opening balance in the liquidation account by a fraction of which the numerator is the amount of the qualifying deposit in such savings account on the eligibility record date or supplemental eligibility record date and the denominator is the total amount of the qualifying deposits of all eligible account holders and supplemental eligible account holders in the Association on such dates. For savings accounts in existence at both dates, separate subaccounts will be determined on the basis of the qualifying deposits in such savings accounts on such record dates. Such initial subaccount balance shall not be increased, and it shall be subject to downward adjustment as provided below.

If the deposit balance in any savings account of an eligible account holder or supplemental eligible account holder at the close of business on any annual fiscal year closing date subsequent to the eligibility or supplemental eligibility record date is less than the lesser of (1) the deposit balance in such savings account at the close of business on any other annual fiscal year closing date subsequent to the eligibility or the supplemental eligibility record date; or (2) the amount of the qualifying deposit as of the eligibility record date or the supplemental eligibility record date, the subaccount balance for such savings account shall be adjusted by reducing such subaccount balance in an amount proportionate to the reduction in such deposit balance. In the event of a downward adjustment, the subaccount balance shall not be subsequently increased, notwithstanding any increase in the deposit balance of the related savings account. If any such savings account is closed, the related subaccount balance shall be reduced to zero.

In the event of a complete liquidation of the converted Association (and only in such event), each eligible account holder and supplemental eligible account holder shall be entitled to receive a liquidation distribution from the liquidation account in the amount of the then current adjusted subaccount balances for savings accounts then held, before any liquidation distribution may be made to stock holders. No merger, consolidation, purchase of bulk assets with assumption of savings accounts and other liabilities, or similar transactions in which the converted Association is not the surviving institution is considered to be a complete liquidation. In such transactions, the liquidation account shall be assumed by the surviving institution.

X. Amendment or Termination of Plan

If necessary or desirable, as a result of comments from the Division Director or otherwise, the Plan may be amended at any time prior to submission of the Plan and proxy materials to the members by a two-thirds vote of the Association's Board of Directors. After submission of the plan and proxy materials to the members, the Plan may be amended by a two-thirds vote of the Association's Board of Directors only with the concurrence of the Division Director. The Plan may be terminated by a two-thirds vote of the Association's Board of Directors at any time prior to the Special Meeting of Members, and at any time following such Special Meeting with the concurrence of the Division Director.

In the event new regulations applicable to this conversion are adopted by the Division prior to the completion of the Association's conversion, the Plan shall be amended to conform to the new regulations.

By the adoption of the Plan, the Association's Members authorize the Board of Directors to amend and/or terminate the Plan under the circumstances set forth above.

I, the undersigned Secretary of Ridgeway Savings and Loan Association, do hereby certify that the following Resolutions were adopted by unanimous vote of the Board of Directors at a Meeting of said Board, held on the 2nd day of May , 1984, a quorum being present.

> RESOLVED, That the Plan of Conversion attached to these Minutes as Exhibit "A" is hereby adopted and approved; and be it further
>
> RESOLVED, That the Officers of the Association are directed to take such action as is necessary and required to implement the Plan of Conversion; and be it further
>
> RESOLVED, That the Officers of the Association assist designated Special Counsel, Robert B. Greenwalt, Esq., in connection with the preparation of an Application for Approval of Conversion for subsequent filing with the Director of the Division of Savings and Loan Associations (State of Maryland) and continued insurance of accounts by the Maryland Savings-Share Insurance Corporation and take such other action as is necessary or required in connection therewith.

I, the undersigned Secretary of Ridgeway Savings and Loan Association, do hereby certify that the affirmative vote of the Board of Directors, as referred to above, represents in excess of two-thirds of the total votes of the members of the Board of Directors.

Rosemary Dyles

Secretary

Date: May 2, 1984

(SEAL)

As Filed With The Division of Savings and Loan Associations on
May , 1984

PRELIMINARY COPY

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
321 East Baltimore
Seventh Floor
Baltimore, Maryland 21202

F O R M P S

PROXY STATEMENT

R I D G E W A Y S A V I N G S A N D L O A N A S S O C I A T I O N

1124 N. Rolling Road
(Street Address of Applicant)

Catonsville, Maryland 21228
(City, State and Zip Code of Applicant)

NOTICE OF SPECIAL MEETING OF MEMBERS

PROXY STATEMENT

PLAN OF CONVERSION FOR CONVERTING
RIDGEWAY SAVINGS AND LOAN ASSOCIATION

TO A

CAPITAL STOCK ASSOCIATION

NOTICE OF SPECIAL MEETING OF MEMBERS
RIDGEWAY SAVINGS AND LOAN
ASSOCIATION

Notice is hereby given that a Special Meeting of Members of Ridgeway Savings and Loan Association will be held at the principal office of the Association, 1124 N. Rolling Road, Catonsville, Maryland 21228, on *, 1984, at * p.m. Business to be taken up at said Special Meeting shall be:

(1) To consider and vote upon a Plan to convert Ridgeway Savings and Loan Association from a mutual association to a capital stock association, pursuant to the laws of the State of Maryland and the Regulations of the Maryland Board of Savings and Loan Commissioners, including the adoption of amended Articles of Incorporation and By-Laws for the Association.

(2) To consider and vote upon any other matters that may lawfully come before the Meeting.

Note: The Board of Directors is not aware of any other matters that may come before the Meeting.

The members who shall be entitled to vote at the Meeting shall be those holding savings accounts with, or loans from, the Association, at the close of business on *, 1984.

DATE: __________________
Catonsville, Maryland

Rosemary Tyler, Secretary

PLEASE SIGN AND RETURN THE ENCLOSED PROXY PROMPTLY. IF YOU RECEIVE MORE THAN ONE PROXY, PLEASE SIGN AND RETURN EACH OF THEM. THIS WILL ASSURE NECESSARY REPRESENTATION AT THE MEETING, BUT WILL NOT PREVENT YOU FROM VOTING IN PERSON IF YOU SO DESIRE.

TABLE OF CONTENTS

RIDGEWAY SAVINGS AND LOAN
ASSOCIATION

1124 N. Rolling Road
Catonsville, Maryland 21228
Tel.No. (301) 744-0444

PROXY STATEMENT

*
Date

YOUR PROXY, IN THE FORM ENCLOSED, IS SOLICITED BY THE BOARD OF DIRECTORS OF RIDGEWAY SAVINGS AND LOAN ASSOCIATION FOR USE AT A SPECIAL MEETING OF MEMBERS TO BE HELD ON * , 1984, AND ANY ADJOURNMENT OF THAT MEETING, FOR THE PURPOSES SET FORTH IN THE FOREGOING NOTICE OF SPECIAL MEETING.

PURPOSE OF MEETING - SUMMARY

A Special Meeting of Members of Ridgeway Savings and Loan Association ("Ridgeway Savings" or "Association") will be held at the principal office of the Association, 1124 N. Rolling Road, Catonsville, Maryland, on * , 1984 at * p.m., for the purpose of considering and voting upon a Plan of Conversion ("Plan") which, if approved by a majority of the total outstanding votes of the members, will permit the Association to change from a mutual type association to a capital stock savings and loan association. The Plan provides in part that after receiving final authorization from the Director ("Director") of the Division of Savings and Loan Associations ("Division"), State of Maryland, the Association will offer for sale capital stock ("stock") or("shares") through the issuance of non-transferable subscription rights first to account holders of the Association as of January 31, 1984 (determined by the aggregate of the account holder's qualifying deposits to the Association's total savings on that date), and then to other members who are eligible to purchase up to 200 shares per member, and then to directors, and officers, with additional rights to purchase the issue then being available to persons having subscription rights in the first two categories of the offering. Any remaining shares will be sold in an offering to the general public. The price of stock to be issued by the Association under the Plan will be determined by an independent appraisal of the Association's pro forma market value, as converted. (For further information as to the Plan and its provisions, including a description of the various preference categories, see "Plan of Conversion".) A copy of the Plan of Conversion is attached to this Proxy Statement as an exhibit.

Adoption of amended articles of incorporation and by-laws for the converted Association (attached as exhibits hereto) will be an integral part of the Plan. These provide, among other things, for the termination of the rights of savers and borrowers to vote at regular or special meetings of members and to receive any surplus remaining after liquidation of the Association. These rights, except for the rights of eligible account holders in the liquidation account, will vest exclusively in the holders of the stock in the converted Association. (For further information, see "Plan of Conversion".)

---

* This space intentionally left blank.

It is not anticipated that a public trading market for the stock will develop subsequent to the offering described herein, and no plans have been formulated to make such a market. (For further details, see "Absence of a Public Trading Market".)

In unanimously adopting the Plan, the Board of Directors found that the Association will derive substantial benefits from the conversion to stock form. The estimated median net proceeds from the sale of stock will substantially increase the Association's net worth, thereby providing further support for future savings growth and increasing its lending capabilities. This increase in net worth will also enable the Association to effect continued compliance with its general reserves and net worth requirements. (For detailed information as to the Association's general reserve and and net worth requirements, see "Regulation - Insurance of Accounts".) The funds received from the sale of stock will be invested primarily in residential mortgage loans in the Association's primary market area in Maryland. Other benefits to be derived by the Association include the ability to raise additional capital (conditions permitting) through the sale and issuance of additional shares of stock in the future.

The Association will continue, after completion of the offering, to provide its existing services to depositors and borrowers pursuant to its existing policies and will maintain its existing office operated by the existing management and employees of the Association. The Association's savings accounts will continue to be insured by the Maryland Savings-Share Insurance Corporation ("MSSIC") up to applicable limits. The affairs of the association will continue to be directed by the existing Board of Directors and Management.

No member will obligate himself to subscribe or not to subscribe to stock by his vote on the plan, nor will any savings accounts be converted into stock. If the Plan is approved, each person eligible to subscribe to stock will thereafter be sent an Order Form, and will then decide whether or not he wishes to subscribe for the purchases of shares of the Association's stock.

PROXY - GENERAL

A member giving a proxy has the power to revoke it at any time before it is exercised by filing with the Secretary of the Association written instructions revoking it. The powers of the proxy holders will also be revoked if the person executing the proxy is present at the Special Meeting of Members and files a proxy revocation form with the Secretary of the meeting prior to the beginning of the voting. Revocation forms may be obtained from the Association. A duly-executed proxy bearing a later date will be sufficient to revoke an earlier proxy.

The proxy will be voted in accordance with the choice indicated on it. If no choice is made as to any specific proposal set forth in the proxy, the proxy will be voted <u>for</u> such proposal.

The proxy includes the granting of power to the proxy holder to vote for changes in the Plan which are not materially adverse to the interest of the membership, are deemed advisable by the Board of Directors, and are approved by the regulation authorities. This proxy material, including the Proxy Statement, copies of the Plan, and other proxy solicitation materials, have been sent to you by your Association at the request of the Board of Directors. The Board of Directors endorses the Plan of Conversion outlined in these materials, which it believes is in the best interest of the Association's members and the general public residing or doing business in the Association's service area.

It is important that you review these materials to fully and adequately inform yourself of the matters to be considered and acted upon at the Special Meeting of Members and referred to in the Notice of Special Meeting which accompanies this Proxy Statement. After you have reviewed the enclosed materials, you should consider them carefully and act upon the matters proposed. If you wish to vote by proxy you may do so by signing the enclosedproxy and returning it to the Association. A postage paid return envelope is enclosed for your convenience. Remember that the proxy form is only valid for the Special Meeting of Members, and any adjournment thereof, and will not be used for any other meeting.

VOTING RIGHTS AND VOTE REQUIRED FOR APPROVAL

All persons who were savings or borrowing members of the Association as of January 31, 1984, will be eligible to vote on the matters set forth herein at a Special Meeting of Members. Voting may be in person or by proxy. Savings members will be entitled to cast one vote for each $100 or fraction thereof of the withdrawal value of any savings account held by such member. No member may cast more than 100 votes.

A loan or a savings account shall create a single membership for voting purposes, even though more than one person is obligated on such loan or has an interest in such savings account. Any number of persons present at the Meeting will constitute a quorum for the purposes of conducting any business that may come before the Meeting. Votes totalling a majority of the total votes outstanding as of the date of record must be cast in favor of the Plan to approve. Any questions as to the eligibility of a member to vote, or the number of votes allocated to each member, or any other matters related to voting, will be resolved by the Secretary of the Association at the time of the Special Meeting of Members, and the records of the Association will control.

PLAN OF CONVERSION

The Director of the Division of Savings and Loan Associations, State of Maryland, has given approval to the Plan subject to the Plan's approval by the members of the Association entitled to vote on the matter and subject to the satisfaction of certain conditions imposed by the Director. The Director's approval, however, does not constitute a recommendation or endorsement of the Plan.

Effect of Conversion to Stock Form on Savers and Borrowers of the Association

(a) Voting Rights. Savings members will have no voting rights in the converted Association and will therefore not be able to elect directors of the Association or to control its affairs. (These rights are accorded to savings members currently.) Subsequent to the conversion, voting rights will be vested exclusively in the Association's stockholders. Each purchaser of capital stock shall be entitled to vote on any matters to be considered by the Association's stockholders. A stockholder will be entitled to one vote for each share of stock owned by him. (See "Articles of Incorporation and By-Laws.")

(b) Savings Accounts and Loans. The Association's savings accounts, the balances of individual accounts and the existing MSSIC insurance coverage will not be affected by the conversion. Furthermore, the conversion will not affect the loan accounts, the balances of these accounts, or the obligations of the borrowers under their individual contractual arrangements with the Association.

(c) Tax Effects. The adoption and implementation of the Plan set forth herein, in the opinion of counsel for the Association, will result in no adverse federal or state income tax consequences to the Association, eligible account holders or other designated persons identified in the Plan. Reference is made to "Federal and State Taxation", for the full description of the tax consequences to eligible account holders and others resulting from the conversion.

(d) Liquidation Rights. Neither the Association nor the converted Association has any plan to liquidate. However, if there should ever be a complete liquidation, either before or after conversion, savings account holders would receive the protection of insurance by MSSIC up to applicable limits. Subject thereto, liquidation rights before and after conversion would be as follows:

(i) Liquidation Rights in Present Mutual Association.

On a complete liquidation, each holder of a savings account in the Association in its present mutual form would receive his pro rata share of any assets of the Association remaining after payment of claims of all creditors (including the claims of all depositors to the withdrawl value of their accounts). His pro rata share of such remaining assets would be the same proportion of such assets as the value of his savings account was to the total value of all savings accounts in the Association at the time of liquidation.

(ii) Liquidation Rights in Proposed Converted Association.

After the conversion each savings account holder on a complete liquidation would have a claim of the same priority generally as the claims of all other general creditors of the Association. Therefore, except as described below his claim would be solely in the amount of the balance in his savings account plus accrued interest. He would have no interest in the value of the Association above that amount.

2517

The Plan also provides, however, that there shall be established on conversion, a special "liquidation account" in an amount equal to the net worth of the Association as of the date of its latest statement of financial condition contained in the final offering circular for the benefit of eligible account holders. Each eligible account holder (a person with a savings account in the Association on January 31, 1984,would be entitled on a complete liquidation of the Association after conversion to his interest in this liquidation account. Each eligible account holder will have an initial interest in the liquidation account for each savings account held in the Association on the eligibility record date. His interest as to each such saving account will be the same proportion of the liquidation account as the balance in his savings account on Janury 31, 1984 was to the balance in all savings accounts in the Association on such date. However, if the amount in the savings account on any annual closing date of the Association (July 31) is less than the amount in such account on January 31, 1984, this interest in the liquidation account would be reduced from time to time by an amount proportionate to any such annual reduction in the amount of the related savings account below the amount in that savings account on January 31, 1984 and this interest would cease to exist if such savings account were closed. In addition, this interest in the special liquidation account would never be increased despite any increase in the related savings account after the conversion.

Any assets remaining after the above liquidation rights of savings account holders and eligible account holders were satisfied would be distributed to the Association's stockholders in proportion to their stock holdings.

(e) Capital Stock. For information as the characteristics of the stock to be issued under the Plan of Conversion, see "Description of Capital Stock:". STOCK ISSUED UNDER THE PLAN OF CONVERSION CANNOT AND WILL NOT BE INSURED BY THE MSSIC.

Management's Reasons for Conversion

The Board of Directors and officers of the Association believe that the Association will derive significant benefits from the conversion of the Association to stock form.

The Association's net worth will be substantially increased as a result of the conversion. This net worth increase will provide additional reserve support for future savings growth, which will increase the Association's lending capabilities and its ability to expand services to its customers. These expanded services may take the form of loans on larger scale projects, greater diversification of the Association's loan portfolio, the establishment of a new branch office and a more aggressive posture in soliciting savings accounts from the general public.

Management also believes that the changes now underway in the savings and loan industry will require higher capital in order for Ridgeway Savings and Loan Association to be able to compete in the future.

The increase in net worth resulting from the conversion will assist the Association in implementing new services in the future, such as checking accounts, commerical and consumer loans.

At July 31, 1983, the Association was in compliance with its regulatory net worth requirement. At such date,the requirement was $227,794. and the Association's regulatory net worth stood at $231,849., resulting in an excess of $4,055. The financial statements contained herein have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP").

Stock Pricing

The Association's independent appraiser, Trident Financial Corporation, has determined that as of January 31, 1984, the estimated pro forma market value of the stock to be issued by the Association in its conversion was $. The Association has determined to issue its shares at a price of $ per share, and by dividing the price per share into the estimated aggregate value, initially plans to issue shares. Regulations of the Division also require, however, that the appraiser establish a range of value for the stock of 1% on either side of the estimated value to allow for fluctuations in the aggregate value of the stock due to changes in the market for savings and loan shares and other factors from the time of commencement of the subscription offering until completion of the offering. Accordingly, Trident Financial Corporation has established a range of value from $ to $ for this offering. Should it be determined at the close of the offering that the aggregate pro forma value of the Association is higher or lower than $, but is nonetheless within the foregoing valuation range, the Association will make an appropriate adjustment by raising or lowering no more than 15% of the total number of shares being offered (within a range from 85,000 shares 115,000 shares). In the event it is determined that a final price has moved outside the foregoing valuation range, a new range will have to be established and a resolicitation of subscriptions held. In no event will any stock be sold for a price other than the pro forma value of the Association, as converted. The appraisal contained an analysis of a number of factors including, but not limited to, the Association's financial conditon and operating trends, operating trends of certain associations and savings and loan holding companies, economic conditions and stock market values of certain associations and commercial banks. The Association has agreed to indemnify Trident Financial Corporation under certain circumstances against liabilities and expenses (including legal fees) arising out of or based upon the Conversion, the appraisal or proxy or offering materials used in the Conversion, if such liability or claim is based upon an intentional untrue statement of a material fact or of an intentional omission of a material fact, and the facts as to which such untrue statement or omission relates were not known or reasonably discoverable

NOTE: INFORMATION AS TO STOCK PRICES AND NUMBER OF SHARES WILL BE PROVIDED BY APPRAISER BEFORE MAY 31, 1984.

by Trident Financial Corporation in the course of preparing its appraisl. Trident Financial Corporation will not be indemnified in the event that an untrue or omitted fact was known or reasonably discoverable by it.

Such appraisal is not intended and must not be construed as a recommendation of any kind as to the advisability of voting to approve the conversion or of purchasing such shares. The appraisal considered a number of factors as described above, and was based upon estimates derived from those factors including, where applicable, projections, all of which are subject to change from time to time.

Subscription Rights and Direct Community Offering

Non-transferable subscription rights to purchase stock will be issued to eligible account holders and certain other persons at no cost. The amount of stock which these parties may purchase will be determined in part by the total stock to be issued and the availability of stock for purchase under the catergories set forth in the Plan. Under the plan savings members as of January 31, 1984, are granted the opportunity to purchase all of the shares to be issued prior to any offering to be made to any other person or group. Preference categories have been established pursuant to applicable regulations for the allocation of stock to the extent that said stock is available. These categories are as follows:

Category No. 1 is reserved for the Association's eligible account holders (i.e. depositors) on January 31, 1984. Subscription rights to purchase shares under this category will be allocated among eligible account holders so as to permit each such account holder to purchase the greater of 200 shares, 1/10 of 1% of the total offering of shares, or 15 times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of capital stock to be issued by a fraction of which the numerator is the amount of the qualifying deposit of the eligible account holder and the denominator is the total amount of qualifying depositors of all eligible account holders in the Association. If the exercise of subscription rights in this category results in an over subscription, shares shall be allocated among subscribing eligible account holders so as to permit each account holder, to the extent possible to purchase a number of shares sufficient to make his total allocation equal to 100 shares. Any shares not so allocated shall be allocated among the subscribing eligible account holders.

Category No. 2 reserves non-transferable subscription rights to a class of supplemental eligible account holders which is not applicable to this offering. Accordingly, Category No. 2 under the Plan will not be used.

Category No. 3 provides, to the extent that shares are then available, non-transferable subscription rights for the purchase of up to 200 shares of stock by voting members who are entitled to vote at the Special Meeting of Members other than eligible account holders and supplemental eligible account holders. In the event of an oversubscription the available shares will be allocated on a pro rata basis determined by the amount of the respective subscriptions.

Category No. 4 provides for the offering of stock to officers and directors of the Association as of the date of the commencement of the subscription offering. The subscription rights for the purchase of stock under this category will be determined on an equitable basis, including consideration of length of service, office and salary level. Under this category subscription rights have been allocated , and, if necessary, will be re-allocated among the Association's directors and officers on a point system basis, under which one point is assigned for each year of service to the Association and three points for each office held, including directorship, in the Association. These shares will be offered at the same price as shares are offered to all members of the Association.

The Plan provides that any shares not purchased through the exercise of subscription rights pursuant to Categories 1 through 4 set forth above shall be sold by the Association to the general publix with preference given to residents of the Association's local communities. The purchase price of the stock to be sold in the community offering will be the same price at which the shares are sold pursuant to the subscription offering.

The Association will make reasonable efforts to comply with the securities laws of all states in the United States in which persons entitled to subscribe for stock, pursuant to the Plan, reside. However, no such person will be offered or receive any stock under the Plan who resides in a foreign country, or in a state of the United States with respect to which all of the following apply: (a) a small number of persons otherwise eligible to subscribe for shares under the Plan reside in such country or state; (b) the granting of subscription rights or offer or sale of shares of stock of the converted Association to such persons would require the Association or the converted Association, under the securities laws of such state, to register as a broker or dealer or to register or otherwise qualify its securities for sale in such state; and (c) such registration or qualification would be impracticable for reasons of cost or otherwise.

Shares Intended to be Purchased By Management

The officers and directors of Ridgeway Savings and Loan intend to purchase such shares that are available or not purchased by persons in Category 1, 2 or 3 of the Subscription Offering or in the Direct Community Offering.

Plan and Exhibits

The Plan is attached as an exhibit to this Proxy Statement and should be consulted for further information. All statements made in this Proxy Statement are hereby qualified by the contents of the exhibits.

Terms of Offering and Method of Payment

All orders received for the Association's capital stock are contingent upon Member approval of the Plan at the Special Meeting.

An order form for the purchase of conversion stock and a subscription offering circular accompany this proxy statement. Subscribers will be given until the expiration date indicated in the subscription offering circular to return the order form to the Associaton together with a check or money order in the amount required to purchase the stock. Payment of stock purchases can also be made in person in cash or accomplished through withdrawals from savings accounts (passbook and certificates). In such cases, interest will continue to be credited on savings authorized for withdrawal until the completion of the offering. Withdrawals from certificate accounts will be permitted without the imposition of early withdrawal penalties. However, withdrawals from certificate accounts that reduce the balance of said accounts below the required minimum for specific dividend rate qualification will result in the cancellation of the certificate evidencing such account. The remaining balance will earn interest at the passbook rate. Subscription orders, once tendered, cannot be revoked.

The Association will pay interest at no less than the passbook rate on all amounts paid in cash, or by check or money order to purchase shares of its conversion stock, from the date payment is received until the date of the conversion is closed.

Upon completion of the subscription offering, the Association will collate the executed forms. Upon satisfaction of the subscriptions received, the Association will then offer the remaining shares to the general public in a community offering.

Agreement With The Director

The Association when converted to a capital stock association, will enter into an agreement with the Director, whereby the acquisition of control of the Association by any company (i.e., corporation, trust, partnership, joint stock company or similar organization) significantly engaged in any unrelated business activity to the Association, either directly or through an affiliate thereof, will be strictly prohibited, regardless of the form of the transaction, for a period of five years following the date of conversion. This will also be accomplished by a provision in the Association's Articles of Incorporation ("Charter"), which is unlimited as to the time and may only be amended by vote of the stockholders, subject to approval by the regulatory authorities.

The term "control" includes the ownership, control or power to vote directly or indirectly, more than 10% of the voting rights of the Association, the contribution of more than 10% of the Association's capital, or the exercise of a controlling influence over the management or policies of the Association. The term "significantly engaged in any unrelated business activity" refers to a company which is engaged in a business activity not authorized for service corporation (subsidiaries) of savings and loan associations under Maryland law and from which business activity the company derives more than fifteen percent of (a) its net annual income, or (b) its consolidated net worth.

Prohibitions Against Certain Offers To Purchase And Acquisition Of Stock

The regulations of the Divsion prohit any person from making an offer or other arrangement to purchase or acquire stock in a converting association from another person during the subscription period. Further, no person may make such an offer to purchase shares or to actually acquire shares in the Association for a period of five years from the date of the completion of conversion if, upon the completion of such offer or acquisition, that person would become the beneficial owner of more than ten percent of the stock of the Association, without the prior written approval of the Director and written notice to the Association. The regulations of the Division define the word "person" to include any individual, group acting in concert, corporation, partnership, assocaition, joint stock company, trust, unincorporated organization or similar company. However, offers with a view toward public resale made exclusively to the Association or underwriters or member of a selling group acting on the Association's behalf are excepted. Additionally, this prohibition shall not apply to any offer or actual purchase which results in acquisition by a person, together with all other acquistions by such person during the preceding 12 month period, of not more than one percent of the Association's outstanding stock.

Review By Administrative And Judicial Authorities

Pursuant to Maryland law and the regulations of the Division, any person who believes that he is aggrieved by the Director's approval of the Plan may seek administrative review of that approval by filing an appeal with the Board of Savings and Loan Commissioners (Board). Within 30 days of the filing of any such appeal, the Board shall hold a hearing, and within 30 days thereafter pass a final order. In addition, Maryland law provides for appeal of the Board's order to the Circuit Cour of Baltimore City or the Circuit Court for the County in which the Association's pr cipal office is located. Any party who does not exhuast his administrative remedies may lose his right to appeal 20 days after the date of notice of approval.

Absence of a Public Trading Market

The Association is a mutual-type association and has, therefore, never issued stock. The offering price of the stock to be issued has been determined by an independent appraisal. As of the date hereof, no public market exists for the stock to be issued at the time the Association converts to stock form. A public trading market for the stock will depend upon the presence in the market-place of both willing buyers and willing sellers at any given time. It is unlikely that a public trading-market for the Association's stock will develop subsequent to the offering described herein due to the small size of the offering and no plans have been formulated to make such a market. An investor should consider the illiquid and long term nature of the securities being offered pursuant to the Plan of Conversion. It is assumed that resales will have to be negotiated because of the absence of a public market for the stock.

CAPITALIZATION

Set forth is the capitalization of the Association as of January 31, 1984 and as adjusted to give effect to the sale of shares of stock offered pursuant to the Plan.

	Capitalization as of January 31, 1984	Adjustments as a result of Conversion	Pro-Forma Capitalizati After Convers n
Savings accounts (1).............	$ 7,841,731	-	$ 7,841,731
Other borrowings.................	$ 100.00	-	$ 100.00
Capital stock (2)...............	$ -	100,000 *	100,000 *
Capital in excess of par value..................		300,000 *	300,000 *
Retained income..................	(130,163)	-	(130,163)
Total....................	$ (130,163)	$400,000	$ 269,837

(1) Withdrawals from savings accounts for the purchase of stock have not been reflected in these adjustments. Any such withdrawals will reduce pro-forma capitalization by the amount of the withdrawals.

(2) 100,000 shares (par value $1.00) are to be authorized, of which 100,000 shares are to be sold pursuant to the Plan. Amount of capital in excess of par value is dependent upon Appraisal to be submitted by Trident Financial Corporation.

* Projected

2524

USE OF NET PROCEEDS

The net proceeds to be received by the Association from the sale of the shares of capital stock pursuant to the Plan are estimated to be $ * (after payment of expenses estimated). These proceeds will be added to the general working capital of the Association and used primarily to finance the Association's lending activities in its primary market area. (See Business - Competition".) The additional capital will cause the Association to exceed its regulatory net worth requirements, give the Association a postive net worth under GAAP and will thus provide, among other things, reserve support for future savings growth (see "Management's Reasons for Conversion".) This increased capital will also allow the Association to accept loan applications on larger scale projects, better enable the Association to utilize recent legislative expansion of its investment authorirty, will allow a greater loan portfolio diversification and will increase the Association's liquidity investments.

The Association reserves the right to use the proceeds received from the offering for such other purposes as may be permitted by applicable law or regulation. Pending ultimate use of these proceeds as described above, the funds received may be invested in short term, liquid investments, including obligations issued and/or guaranteed by the United States Government.

DIVIDEND POLICY ON CAPITAL STOCK

The Association has no present plans to pay cash dividends on the capital stock to be offered pursuant to the Plan, it being the present intention of the Board of Directors to accumulate earnings to support future savings growth. The decision to pay future dividends and the amount of such dividends, if any, will depend primarily upon the Association's future earnings, financial condition and captial requirements. The Association's ability to pay cash dividends will also depend upon its generating earnings and profits sufficient to pay said dividends, it not being the intention of the Board of Directors to approve the payment of cash dividends out of any other available sums, such as capital surplus.

Interest on savings accounts will be paid prior to payment of dividends on capital stock. Earnings appropriated to bad debts reserves and deducted for federal income tax purposes cannot be used to pay cash dividends without the payment of such earnings at the then current income tax rate.

The Association may not declare or pay a cash dividend on any of its stock if the effect thereof would cause the net worth of the Association to be reduced below (1) the amount required for the liquidation account, or (2) the net worth requirements imposed by MSSIC. Further, no cash dividends may be declared or paid out of that portion of retained earnings appropriated to general reserves in accordance with the requirements of Division.

In addition to, or in lieu of, cash dividends the Association may pay stock dividends on its outstanding shares.

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

CONSOLIDATED STATEMENT OF INCOME

	1981	July 31, 1982	1983	January 31, 1984
Investment Revenue				
Loan Interest Income	$540,549	$605,334	$693,356	$388,243
Other Investments	6,163	21,067	52,270	34,840
TOTAL INVESTMENT	546,712	626,401	745,626	423,083
Cost of Money				
Dividends	438,611	572,874	706,242	354,341
Interest on Borrowed Money	39,337	21,155	13	405
TOTAL COST OF MONEY	477,948	594,029	706,255	354,746
Excess	68,764	32,372	39,371	68,337
Loan Fees	4,937	8,163	14,158	12,320
Other Income	6,383	3,959	9,170	4,047
	80,084	44,494	62,699	84,704
General Administrative Expenses	104,848	122,661	144,904	67,182
	(24,764)	(78,167)	(82,205)	17,522
Recovery from Income tax	5,448	12,522	18,000	
Net Income (loss)	(19,316)	(65,645)	(64,205)	17,522

The consolidated statements of income of Ridgeway Savings and Loan Association have been examined by David Wakely, indeptendent certified public accountant, for the three years ended July 31 , 1981-82-83 set forth in his report included elsewhere herein. These consolidated statements of income should be read in conjunction with the other consolidated financial statements and related notes included elsewhere herein.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the past three years, the operations of savings and loan associations have been dominated by constant changes and a high interest rate environment. The adverse affects of such an environment have been compounded by the government's policy of financial deregulation. The degree to which these forces have affected the financial condition and operating results of Ridgeway Savings and Loan Association is illustrated in the following discussion of the Association's operations for years ended July 31, 1982 and 1983 and the six month period ended January 31, 1984.

Fiscal year ended July 31, 1983
compared to discal year ended July 31, 1982
and compared to 6 month period ended January 31, 1984

Capital Resources and Liquidity

The Association recorded significant increases in savings deposits during the fiscal year ended July 31, 1983, despite net outflows for most of the savings and loan industry. Total savings accounts increased by $1,731,489 or 30% from July 31, 1982 to July 31, 1983.

Loan principal collections increased from $644,513 in the year ended July 31, 1982 to $823,368 in the year ended July 31, 1983. Several new variable rate loan programs were introduced during the year to improve the Association's loan portfolio.

Total loans originated for the 6 months period ended January 31, 1984 amounted to $655,750 and for the year ended July 31, 1983, the amount was $1,502,770. The Association is now able to charge points to improve our income picture.

Liquidity is defined as a ratio of cash and eligible investments to net withdrawalable savings and borrowings due in one year or less. The required liquidity ration, currently 6%, is a measure of the Association's ability to meet demands for savings withdrawals and other short-term borrowings. The Association maintained liquidity in excess of 2 times the required level during 1983 and well in excess of required levels in 1982.

The principal source of current liability includes new savings deposits, loan principal and interest payments and earnings on investments.

Income and Expense

The Association experienced a net profit of $17,522 for the 6 months ended January 31, 1984, compared to a net loss of $48,626 in 1983. Total investment revenue increased for the 6 month period ended January 31, 1984 as compared to the same period for the prior year. Total cost of money stayed constant for the same period. Interest on loans and investments increased primarily due to higher mortgage yield.

The Association experienced a net loss during the fiscal years 1981, 1982 and 1983 for the first time in the history of the association. The loss can be directly attributed to the high cost of money and keen competition in the financial community. Small savers began to invest their money in a variety of financial outlets, including mutual funds and other stocks. In consequence, the Association was forced to increase yields on savings which affected mortgage rates and net interest spread. However, the Association continued to grow in size of assets through this period. The Board, under sound, conservative principles, sought to limit borrowing by the Association during this critical period when interest rates were high.

The Association has reacted to this situation to decrease loans and promote net profits. The Association has attempted to retain tradional principles of attracting investors from the community, creating a more personal relationship with savers and borrowers and, when infrequently necessary, working with delinquent accounts to get them back on regular payment schedule. This rapport with the community is reflected in the net profit expected for fiscal year 1984.

SPREAD ANALYSIS

The operating strategies being followed by the Association are succeeding in improving the 'ordinary operating results' (that is, operating results before tax effect, extraordinary items and non-operating items) as shown by the following table. Such calculations were made as of the end of each month.

	1983		and		1984	
	AUG	SEPT	OCT	NOV	DEC	JAN
Weighted-average yield on mortgage loans and investments	9.53	13.86	11.56	11.4	11.97	10.98
Total weighted-average rate paid on all interest bearing liabilities for the period	9.15	9.1	9.33	9.48	9.44	9.49
Net Margain (spread between weighted-average yield on all interest earning assets and total weighted-average rate paid on all interest bearing liabilities for the period	.38	4.76	2.23	1.92	2.53	1.47

BUSINESS

General

Ridgeway Savings was chartered by the State of Maryland in 1955. Its savings accounts have been insured by MSSIC up to applicable limits since 1961.

The Association maintains its principal office at 1124 N. Rolling Road, Baltimore Maryland and a branch office at 9095 Frederick Road, Ellicott City, Maryland.

Ridgeway Savings has, as its primary business, the solicitation of savings accounts from the general public and the origination of mortgage loans, primarily upon the security of single family residences located within its primary lending area, Baltimore City, Baltimore County, and Howard County, Maryland. The Association also makes loans secured by properties in the neighboring counties, Carroll County, Anne Arundel County, Harford County and Ocean City, Maryland

The Association has observed the laws and regulations of MSSIC. It has never been forced to operate under the terms of a supervisory agreement by MSSIC.

Investment Portfolio
January 31, 1984

Institution	Type	Cost	Face Value	Rate
Maryland Capital S. & L.	Liquid Asset	NA	$174,737.12	11%
Eastern S. & L.	Liquid Asset	NA	57,495.44	9%
Fairfax S. & L.	Liquid Asset	NA	102,552.38	10.7%
Federal Funds[o]	Liquid Asset	NA	425,000.00	9.3%
State S. & L.	C.D.*	NA	107,000.00	10.5%
Freddie Mac	Government Security	40,649.61	51,695.73	10.1%
TOTAL		$40,649.61	$918,480.07	9.95% (weighted-average)

* Matures February, 1984

o Purchased through Union Trust Company of Maryland

NOTE: Accounts insured to $100,000.00 by MSSIC or FDISC

SELECTED FINANCIAL DATA

	At July 31,					At January 31,
	1979	1980	1981	1982	1983	1984
Total Loans Outstanding	4,786,635	5,218,871	5,327,641	5,646,637	6,428,252	6,563,942
Total Assets	5,404,735	5,717,068	5,756,058	6,184,222	7,940,182	8,090,450
Total Savings	5,050,506	5,257,566	5,212,669	5,861,643	7,593,132	7,841,731
Total Borrowings	1,000	100	175,100	100	100	100
Total Net Worth	279,559	315,250	305,759	223,316	173,138	169,221
No. of Real Estate Loans	—	232	257	245	252	264
No. of Savings Accounts	—	1,527	1,350	1,580	900	1,250
No. of Offices	2	2	2	2	2	2

SUMMARY OF OPERATIONS

The following table summarizes the Association's results of operation (on a consolidated basis if applicable) for each of the periods indicated:

	YEAR ENDING JULY 31,					6 months ended January 31,
	1979	1980	1981	1982	1983	1984
Interest on Loans	425,085	498,116	540,549	605,334	693,356	388,243
Interest on Investments	9,905	13,350	6,163	21,067	52,270	34,840
Interest Expense	293,822	379,668	477,948	594,029	706,255	354,746
Net Interest Income	141,168	131,798	68,764	32,372	39,371	68,337
Loan Fees & Service Chgs	4,664	5,507	6,832	8,163	14,158	12,320
Other Income	3,585	4,648	4,488	3,959	9,170	4,047
General Admin Expenses	84,189	95,798	104,848	122,661	144,904	67,182
Income Taxes	10,636	10,557	(5,448)	(12,522)	(18,000)	-----
NET INCOME (LOSS)	54,592	35,598	(19,316)	(65,645)	(64,205)	17,522

2531

LENDING ACTIVITIES

The Association predominantly offers long-term loans for the purchase and construction of single family residences located in the State of Maryland and primarily in Baltimore City and Baltimore and Howard Counties. The Association has also engaged in the origination and non-residential loans secured by commercial properties. Details of Ridgeway Savings' lending programs and the implementation thereof are as follows:

(a) Investments Generally

Investments by a Maryland chartered, MSSSIC-insured savings and loan association are prescribed by Maryland statutes, the regulations of the Board of Savings and Loan Commissioners and MSSIC regulations.

In general, the Association can make only certain authorized investments, including loans. The authorized investments, subject to various percentage and other limitation include, in part, (a) notes secured by first and second liens on real property pursuant to loans made for the purpose of purchase, construction, improvements or refinanci of real property; (b) real property for the Association's offices', (c) bonds and securities guaranteed by a governmental entity or issued by certain governmental agencies; (d) loans secured by savings accounts; (e) secured or unsecured consumer loans; and (f) loans for mobile home financing.

During the last five years, Ridgeway Savings has primarily made real estate mortgage loans and savings account loans. The types of real estate loans the Association has made are: (1) long-term fixed rate loans; (2) long-term loans having a "call" provision; (3) short-term loans; and (4) second mortgage loans.

The Association's present intent in regard to mortgage lending is to match savings account rates and maturities to martgage rates and maturities, maintaining an adequate "spread" or profit margin, and to engage in construction and developed land loans, and offer second mortgages. The Association intends to offer adjustable rate mortgage loans in the near future. The Association may also offer short-term consumer loans in the future.

The Association requires security for all of its loans. In mortgage loan transactions, the security is the land or real property involved. In passbook loan transactions, the security is the passbook itself. The Association makes loans up to 80% loan-to-value on improved real estate; up to 75% loan-to-value on developed land loans; 75% loan-to-value on commercial real estate and up to 80% loan-to-value on construction and construction/permanent loans. In cases of passbook loans, a 90% limit is in effect. In the past five years, the Association has not made any significant loans on commercial development or condominium and apartment buildings.

The Association plans to both buy and sell loans in the future in order to upgrade its mortgage portfolio and to have available funds for future lending.

(b) Investment Activities

Funds not invested by the Association in loans or in buildings and equipment may be invested in United States government, Federal agency, state and municipal securities, "federal funds" (which are overnight loans among depository institutions made to meet federal or state reserve requirements), negotiable certificates of deposit issued by insured banks, and other investments specified by regulation. Generally, such investments are of sufficiently short term and marketability to qualify as liquid assets under regulations of the Division and MSSIC. For information regarding the Association's regulatory liquidity requirements, see "Business-Regulations-Insurance of Accounts".

(c) Loan Solicitation and Processing

The Association actively solicits mortgage loan applications from existing customer, local realtors, builders, real estate developers, and various other persons. Upon receipt of a loan application from a prospective borrower, a credit report is ordered to verify specific information relating to the loan applicant's employment, income and credit standing. This information may be further verified by personal contacts with other reference sources. An appraisal of the real estate intended to secure the proposed loan is undertaken, generally by preapproved Association personnel. As soon as the required information has been obtained and the appraisal completed, the loan is submitted to a loan committee composed of two of the Directors of the Association. All actions of the loan committee are reviewd by the Board of Directors.

(d) Fees and Discounts

In addition to interest, Ridgeway Savings receives fees for originating and purchasing real estate loans as well as for making loan commitments. Prior to 1980, the laws of the State of Maryland restricted the Association from charging borrowers origination fees ("points") on conventional residential loans originated by the Association, except in those cases where such loans were eligible for purchase by certain federal agencies or instrumentalities, and were tendered in good faith, for purchase, to such agencies pursuant to a commitment or offer to purchase. The Association has not, in the past, sold loans in the secondary mortgage market to any such federal agencies or instrumentalities. In 1981 the Association qualified itself to accept and make FHA insured loans and now, as such, can charge points on all mortgage loans.

The usual term of a commitment issued by the Association is 60 days from date of issuance with a 2 point origination fee usually charged. The percentage of commitments which expire without being funded is estimated at between 3% and 5% of all commitments.

The regulations of the Division require the Association to defer a portion of the income it receives from loan originations and purchases. Basically, the Association is allowed to take into income immediately, fees received on the origination and purchase or mortgage loans in an amount equal to 3% of the principal loan amount. The remaining fees, if any, must be deferred over a period of at least seven years, and taken into income ratably on a monthly basis. All fees so deferred may be taken into income upon the sale or repayment of the loan to which it is related. Generally accepted accounting principles (GAAP) are at variance with the regulatory formula in this area. Under GAAP, fees must be recorded in the period in which they are earned, which would not necessarily correspond with a fixed percentage or dollar amount of the loan. For example, under GAAP fees received for making specific loans are deferred and earned as additional interest over the expected life of the loans. Fees received for guaranteeing to make funds available for future loans are deferred and earned over the commitment periods. The Association records its deferred fees in accordance with the regulations.

The nature of the mortgage loan market is such that when funds are readily available for lending, the number of prospective borrowers willing to pay fees declines substantially. To the extent that the Association has, in the past, relied upon fee income, a decline in fee income may be adverse to the Association's profitability.

(e) Secondary Market Activity

The Association has not been previously involved in secondary market type operations (involving significant sales and purchases of loans to others, particularly governmental agencies, in the so-called "secondary market") but intends to become more involved in the future in the purchase and sale of loans.

(f) Delinquent Loans and Real Estate Owned

The rules and regulations of the Divsion provide for certain accounting treatment of delinquent loans. This special accounting treatment specifies the way and manner in which the Association must account for its mortgages that are overdue. When a loan is 15 days or more delinquent, the Association contacts the borrower by mail and requests payment. If the delinquency continues, subsequent contacts are made by both telephone and additional correspondence. In certain instances, it may be necessary for the Association to recast the loan or grant a moratorium for payments of the loans in order to enable the borrower to reorganize his financial affairs. If the loan continues to be delinquent, the Association takes steps to begin foreclosure action. After foreclosure, the Association lists any properties acquired by it in a category referred to as "real estate owned". It will then take such action as it deems necessary to dispose of its "real estate owned" in order to recoup its investment.

The Association considera loan delinquent if it is 60 days or more past due in principal and interest.

In the past the Association has not incurred losses due to problem loans.

SAVINGS ACTIVITIES

Ridgeway Savings offers various types of savings programs for the solicitation of savings of the general public. The types of savings accounts offered by Ridgeway Savings and the maximum interest rates payable on these accounts are governed by the Division. Savings may be invested in and withdrawn from passbook (also known as free share") accounts without restriction. Interest is paid on passbook savings from date of deposit to the date of withdrawal. Interest is compounded daily and credited quarterly at a rate established by the Board of Directors. The current interest rate on this account is 6% with a minimum balance of $25.00 required. We also have a passbook paying 7½% set up as the above account, requiring a balance of $500.00.

We offer a 30 month certificate paying 10.5%. This rate varies with the market, but we have placed a ceiling of 11%. We do not intend to be locked into a high rate for as long as 30 months again. This account has a minimum balance of $500.00. We have six month certificates with a minimum balance of $2,500.00 paying a simple interest rate of 9.5%. We have have a one year certificate paying 11% simple interest on $1,000.00 minimum deposit. Our most popular account is our Liquid Asset account with a variable rate of interest, averaging 9.5%. This is a statement account with withdrawals limited to 3 per month of at least $500.00 and deposits accepted in any amount. The dividend earned on this account is credited weekly and compounded weekly. We also offer IRA accounts which we have tied in with our 30 month accounts.

At January 31, 1984, the Association had approximately 26 % of its savings base in fixed-rate accounts, and 74 % of its savings base in market rate accounts. Additional types of accounts are expected to be authorized and offered in the future so that the Association may remain competitive with federally-insured banks and savings and loan associations as the types of accounts these latter institutions may offer are deregulated by the federal authorities.

ANYALYSIS OF PROFITABILITY AND KEY OPERATING RATIOS

The net earnings of the Association depend primarily upon the "spread" (difference) between (a) the income it receives from its loan portfolio and other investments and (b) its cost of money, consisting principally of the interest paid by it on savings accounts and FHLN and other borrowings.

Prior to 1981 the Association originated mortgage loans with fixed rates for terms of 25 to 30 years and based on its experience these loans have an average life of approximately 12 years. (See "Lending and Investment Activities"). Accordingly, in periods of rapidly increasing market rates, overall loan portfolio rates increase at a relatively slow pace. Adjustable rate mortgage loans and loans callable within a few years of origination (with the rate then subject to renegotiation at current market) may over time permit the average yield on an Association's loan portfolio to change in response to changes in short-term interest rates. However, management does not believe that the granting of such loans will have an immediate material impact on the Association's spread or profitability.

On the other hand, the Association's savings portfolio has a much shorter "term" and is subject to more volatile movements during periods of rapidly increasing (or decreasing) interest rates. The advent of the extremely popular six-month "money market" certificates in June, 1978 and other short-term market rate certificates authorized since that time have had the effect of shortening considerably the "term" and raising the average interest rate of the Association's savings portfolio. (See "Savings Activites and Other Sources of Funds").

The Federal Reserve Board in an attempt to control and combat inflation made a number of policy changes commencing in October, 1979. New credit restrictions and "tight money" policies had the effect of dramatically increasing interest rates particularly short-term rates from 1979 until the Fall of 1982. Accordingly, the Association's cost of money escalated at a rapid rate during 1980-1982, far more quickly than yields on the mortgage portfolio.

In September, 1982, the Federal Reserve Board announced that due to technical factors it would place less reliance for an indeterminate period of time on certain money supply growth statistics and would ease its restrictive monetary policy for a temporary period in order to lower interest rates and help the nation out of its protracted recession. Since early September, 1982, short-term interest rates, particularly Treasury bill rates, have fallen significantly and long term rates have also dropped, though at a slower pace. If this trend continues, and there can be no assurance that it will, it is expected that the Association's earnings spread will improve in coming months.

INSURANCE OF ACCOUNTS

Ridgeway Savings' savings accounts are insured up to applicable limits by MSSIC. As an insurer, MSSIC issues regulations, and generally assists together with the Division, in the supervision of the operations of its insured members. Any insured association which does not operate in accordance with or conform to MSSIC regulations policies and directives, may be sanctioned for noncompliance. For example, proceedings may be instituted against any insured association which engages in unsafe and unsound practices, including the violation of applicable laws and regulations. MSSIC has the authority to terminate insurance of accounts pursuant to procedures established for that purpose.

The Association is required by MSSIC to maintain its net worth equal to a certain percentage of its total savings capital. At January 31, 1984, the percentage requirement applicable to the Association was 3 %. As association may be subject to sanction by MSSIC for failure to meet its general reserve and net worth requirements. Sanctions imposed may include a reduction of dividend rate on savings accounts, increased liability requirements and imposition of budgetary controls.

Based on the Association's last annual closng date (July 31, 1983), set forth below is certain information relating to the Association's Net Worth requirements prepared in accordance with regulatory accounting rules. As explained elsewhere herein, the Association's net worth for regulatory purposes differs significantly from its net worth as shown in the financial statements herein, which were prepared in accordance with generally accepted accounting principles.

Regulatory Net Worth

Required	Actual	Hypo Accounts	Excess
$227,794	$176,849	$55,000	$4,055

MSSIC also requires an association to maintain a certain percentage of its savings capital in investments deemed liquid (i.e. easily convertible into cash). At the present time the liquidity ratio to assets requirement is 6 %. Ridgeway Savings is in compliance with this requirement **with a 12% ratio now.** MSSIC regulations also require the Association to maintain a general line of credit with a commercial bank, which Ridgeway Savings has also complied with.

Insured members of MSSIC are also required to deposit with MSSIC a sum equal to 2 % of its savings accounts and to maintain such accounts with the corporation as long as it is a member. This capital deposit ($155,000.00 at January 31, 1984) is invested by MSSIC and its members do not receive dividends on said deposits. Upon withdrawal from MSSIC, conditions permitting, the deposit is returned to the withdrawing member.

CENTRAL RESERVE FUND

A central reserve fund was established by MSSIC for the purpose of providing advances to its member institutions on a secured or unsecured basis. This fund serves as a type of central bank and is generally utilized during periods of tight money when loan demands exceed savings flows. Each member of MSSIC is required to purchase capital notes issued by the fund in an amount based upon a percentage of its savings accounts. Ridgeway Savings has never had any advances from the central reserve fund and do not have any at this time.

STATE SAVINGS AND LOAN LAW

As a state-chartered savings and loan association, Ridgeway Savings must comply with the applicable provisions of the laws of the STate of Maryland and the rules and regulations promulgated by the Board of Savings and Loan Commissioers. Ridgeway Savings derives its investment powers from these laws and regulations and must structure its lending policies and procedures so as to comply with the applicable provisions of each. In addition, prior to establishment of a branch office or relocation of an office, a state-chartered association must receive approval from the Division. In order to justify the approval of a branch office location or the relocation of an office, an association must show by the preponderance of evidence that the establishment of the particular office will promote the public interest, and that it will be efficiently operated. Savings and loan associations with offices near the location of the proposed office may object to the Application and may present evidence in opposition to the Application at a hearing held before the Division. If the critertia for the establishment of a proposed office have been met, then the Application may be approved by the Division Director. The decision of the Division Director can be appealed to the Board and through the judicial process. Associations may also establish electronic fund transfer terminals, subject to approval of the Division Director. In addition, mergers and liquidations of associations are governed by [illegible]e law with authority for final approval delegated to the Division. In order to merge an association, the Board of Directors of the respective entities and the member of the association involved must approve the merger and the Divsion must determine whether the merger is fair and equitable to the members of the Association and to the general public.

Maryland law and regulations of the Divsion require associations to maintain at all times reserves against losses which exceed 3% of savings liabilities. In addition, if such reserves are less than 5 % of savings liability, a certain amount of the association's profits must be allocated to the reserve account according to a regulatory formula, which requires 100% allocation if reserves are under the 4 % level, and lesser allocations between 4% and 5 %. An association may pay dividends on its capital stock if its reserves exceed 3% of savings liability, but only from (1) profits which exceed the minimum required allocation under the regulations; (2) amounts in excess of the minimum required allocation in prior periods which are not distributed to an association's stockholders at that time; or (3) the Association's retained earnings, earned surplus or undivided profits accounts, with the approval of the Division Director.

The Division conducts a regular examination of the Association's financial condition and operations; a report of such examination is subsequently submitted to the

Association's Board of Directors summarizing the results of the examination and specifically noting any deficiencies in the Association's operations and financial condition and non-compliance with applicable laws, rules and regulations.

The Association's relationship with its savings members and borrowers are also governed by state law, particularly in matters relating to the form and content of savings mortgage documents, the ownership of savings accounts, and mortgage interest rates.

FEDERAL AND STATE TAXATION

The Association uses a fiscal year for determing both Federal and State income taxes. Savings and loan associations such as the Association which meet certain definitional tests and other conditions prescribed by the Internal Revenue Code of 1954, as amended (the "Code"), are allowed a bad debt reserve deduction based upon (1) actual loss experience, (2) a percentage of eligible loans outstanding, or (3) a percentage of taxable income before such deduction. The Assocation prior to fiscal year 1981 has generally used the third method. The Tax Reform Act of 1969 has gradually reduced the deduction available under the percentage of taxable income method to 40% of the taxable income for calendar year 1979 and thereafter. The allowable deduction under the percentage of taxable income method is scaled downward in the event that less than 82% of the total dollar amount of the assets of an association qualifies within certain designated categories and there is no deduction in the event that less than 60% of the total dollar amount of the assets of an association falls within such categories. As of January 31, 1984, greater than 82% of the Association's total assets so qualified. The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") will reduce the bad debt percentage of taxable income method (second and third method) by 15% of the amount by which the otherwise allowable deduction exceeds the amount deductible on the basis of actual experience, for tax years beginning after December 31, 1982.

The bad debt reserve deduction is available only to the extent that total amounts accumulated in the bad debt reserve for qualifying real property loans do not exceed 6% of such loans at year-end. At July 31, 1983 this ratio was less than 6% for the Association. In addition, the deduction is further limited to any amount by which 12% of savings accounts at year-end exceeds the sum of retained earnings and reserves at the beginning of the year.

After allowance for the bad debt deduction from operating income, the resulting net taxable income is subject to a basis corporate income tax. In addition to such corporate income tax, the Association is subject to a "Minimum Tax" on items of tax preference income. The deduction taken for bad debts, in excess of the amount that could have been deducted based upon actual loss experience, is an item of tax preference income. For taxable years beginning after December 31, 1977, the Minimum Tax is imposed at the rate of fifteen percent (15%) on aggregate tax preference income less the greater of $10,000.00 or the Association's regular tax liability less certain credits. Under TEFRA only 71.6% of the tax preference subject to the minimum tax will be included in the minium tax base for tax years beginning after December 31, 1982.

Earnings appropriated to the Association's bad debt reserve and claimed as a tax deduction are not available for payment of cash dividends or for distribution to shareholders (including distributions made on dissolution or liquidation) without payment of federal income taxes on such dividends or distributions by the Association at the then current tax rates.

During the twenty-nine (29) years that the Association has been in business, its tax returns were audited for three (3) years by the Federal Department of Internal Revenue and were never audited by the State of Maryland.

Ridgeway Savings is not subject to the Maryland state income tax. However, the Association is subject to the state franchise tax. This tax is equal to .075% of state taxable income in excess of $100,000.00. State taxable income for franchise tax purposes is determined as follows: adding the sum of (a) taxable income reported for federal income tax purposes, (b) all amounts allocated to the bad debt reserve of the Association for federal income tax purposes, (c) dividends paid on account of savings; (d) state franchise taxes deducted for federal income tax purposes, and (e) net operating losses utilized in determining taxable income for federal income tax purposes; less the sum of (i) 50% of the excess of the net long-term capital gains of the Association, (ii) state income tax refunds received by the Association in excess of recoveries realized.

The Association has received an opinion of counsel to the effect that its conversion from a mutual type institution to a captial stock association, pursuant to the Plan of Conversion set forth herein, will not result in any federal or state tax liability to the Association or its members. If, at a future date, cash dividends are paid on the stock being issued hereunder, such dividends will be taxable to the recipients thereof and will not be deducted by the Association. There can be no assurance that the Assocaition will, at any time, pay cash dividends on capital stock issued pursuant to the Plan of Conversion.

COMPETITION

Ridgeway Savings' two offices are located in Catonsville and Ellicott City, Maryland, its primary market area for savings and mortgage loans. To a lesser degree, it makes mortgages in adjoining counties. The association believes that its primary competition comes from savings and loan associations and commercial banks with offices located in this area, and, to a lesser degree, with mortgage banking companies inregard to mortgage loans. Ridgeway Saivngs' share of the total savings deposits and mortgage loans of other institutions located in its primary market area is believed to be less than 10%.

In recent years, total deposits of MSSIC-insured associations have generally grown at a faster rate than those of FSLIC-insured associations operating in Maryland. The Association believes that the faster rate of growth of the MSSIC-insured associations is primarily attributable to the ability of MSSIC-insured associations to pay higher rates of interest or dividends on savings deposits than those permitted to be paid by FSLIC-insured associations. The ongoing elimination by federal authorities of this may have a material effect on the Association's growth rate and retention of existing savings deposits.

Recent legislation has significantly expanded the range of services which the associations can offer the public. In addition, as discussed elsewhere herein, the federal and state authorities have been deregulating interest rate controls on savings deposits. These changes, combined with recent high interest rates and an increasingly sophisticated savings public have dramatically increased competition between savings and loan associations and other types of investment vehicles (such as money market mutual funds, Treasury securities, municipal bonds, etc.) for savings dollars, and increased competition with commerical banks in regard to loans, checking accounts, and other types of financial services. In addition, large conglomerates and investment banking firms are beginning to enter the market for financial services. Thus the Association, like other savings and loans, will face increased competition in the future in the savings and lending services it offers and will have to inovative and knowledgeable about its market as well as exert effective controls over its costs, in order to remain competitively viable.

PROPERTIES

The Association owns its branch office at 9095 Frederick Road, Ellicott City, which was opened in 1978 and has 2100 square feet on .75 acre. The net book value of this facility (land and building) on January 31, 1984, was $134,966.13.

The Association leases its main office at 1124 North Rolling Road in Catonsville, under the terms of a lease which began October 1, 1980 and expires September 30, 1990. Currently, the Association is paying $8,400.00 for each 12 month period until 1985, at which time the yearly fee will increase to $9,600.00 for the remainder of the lease. A proportionate share of taxes and operating expenses associated with the shopping center are also paid.

The total book value of all the Association's property and equipment on January 31, 1984 was $145,298.00.

PERSONNEL

As of January 31, 1984, the Association had five (5) full-time employees and one (1) part-time employee.

The employees are not represented by a collective bargaining agreement. The Association believes that its employee relations are good.

LEGAL PROCEEDINGS

The Association is not engaged in any legal proceedings of a material nature at the present time. From time to time it is a party to legal proceedings wherein it enforces its security interest in mortgage loans it has made.

BOARD OF DIRECTORS AND OFFICERS

Listed below is certain information about the Directors and officers of the Association:

NAME	AGE	POSITION	YEAR ELECTED DIRECTOR	YEAR TERM EXPIRES
W. Walter Farnandis	63	President and Director	1955	1984
Grace Devitt	42	Treasurer and Director	1983	1986
W. Walter Farnandis, III	40	Vice President and Director	1974	1985
Anita C. Wilcox	41	Director	1983	1986
Joseph Frey	65	Director	1972	1985
Rosemary Tyler	37	Corporate Secretary	1979	1984

W. Walter Farnandis is an attorney and has been in practice since 1946. He has been the organizer and President of the Association since its inception.

Grace Devitt is self-employed as a pension plan manager. She has lived in Howard County, Maryland for many years.

W. Walter Farnandis, III is employed with the federal government as a computer programer. He holds a Master of Arts Degree from the University of Maryland. He is the son of the President.

Anita C. Wilcox is a retired teacher. She holds a Master of Arts degree from Loyola. She is the daughter of the President.

Joseph Frey is retired, but continues to be associated with the building and construction industry. He was a former director of Woodstock Building and Loan Association.

Rosemary Tyler joined the Association in 1978. She has been responsible for daily operations since that time and serves as secretary to the meetings of the Board.

Upon completion of Ridgeway Savings' proposed conversion, the members of Ridgeway Savings existing Board of Directors will continue to serve as directors of the converted Association until the expiration of their existing terms, at which time they may stand for re-election.

REMUNERATION AND OTHER TRANSACTIONS WITH MANAGEMENT AND OTHERS

Remuneration of Directors and Officers

The following table sets forth for the year ended December 31, 1983. certain information as to the remuneration received by all executive officers and directors of the association as a group for services in all capacities to the Association. During such period, no executive officer of director received total cash and cash-equivalent forms of remuneration in excess of $20,000.00

Name of Individual or number of persons in group	Salaries, Fees, Reimbursement Director's Fees and Bonuses
Executive Officers and Directors as a group (6)	$19,067.05

Directors are paid a fee of $50.00 for attending at Board meetings.

The Association has insurance health benefit plans in effect for the benefit of its employees. It has no pension or retirement plan.

Loans made to Officers, Directors, and Employees

NAME	Date of Loan	Original Amount	Interest Rate	Balance 1-31-84	
W. Walter Farnandis	5-21-75	$ 20,000.00	9%	$ 20,000.00	
	10-7-83	$ 30,000.00	12	30,000.00	
	5-9-79	6,600.00	8	1,232.94	Passbook
W. Walter Farnandis III	9-6-78	38,000.00	9	36,349.78	
Grace Devitt	12-23-82	53,700.00	14.5	53,031.43	
Jean Smith	2-23-83	4,000.00	9.5	2,352.26	Passbook
Denise Uebel	10-11-83	1,000.00	8	944.62	Passbook
Lorraine Moore	12-29-83	60 500.00	12	60,500.00	

NOTE: The Association has no express policy regarding loans to Officers, Directors, or Employees. For Association purposes, persons associated with the Association in these capacities are treated as members of the general public.

2544

DESCRIPTION OF CAPITAL STOCK

General

Ridgeway Savings' Articles of Incorporation and By-Laws, after amendment pursuant to the Plan of Conversion, will authorize * shares of capital stock, par value $1.00 per share, of which * shares will be issued pursuant to the Plan of Conversion.

When purchased at the offering price, each share will be fully paid, and will be non-assessable in the hands of the holders thereof. THE SHARES WILL NOT BE, AND CANNOT BE, INSURED BY MSSIC OR THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION. Other pertinent provisions are set forth herein.

Restrictions on Repurchase of Stock and Payment of Cash Dividend.

The Association may not repurchase any of its stock from any stockholder wthout the prior approval of the Director. The Association may not declare or pay cash dividend on any of its stock if the effect thereof would cause the net worth of the Association to be reduced below the amount required for (1) the liquidation account, (2) the amount required to meet the net worth requirements imposed by MSSIC, or (3) the amount required to pay interest on savings accounts.

Stock Dividends

The Association may, from time to time, issue stock dividends to the holders of the capital stock. These stock dividends will have the same characteristics as the underlying shares.

Liquidation

Upon liquidation of the Association, the assets remaining, if any, after satisfaction of all liabilities, shall belong to the holders of the capital stock and shall be distributed to them pro rata. (For description of liquidation account, see "Plan of Conversion - Liquidation Rights".)

Voting Rights

Voting rights shall be vested exclusively in the holders of the capital stock. One vote shall be assigned for each share of capital stock held.

Pre-Emptive Rights

Under Maryland law, holders of shares of capital stock will not have pre-emptive rights as to the purchase of any shares issued by the Association in the future. Therefore, the Board of Directors may sell shares of the Association without first offering them to the then shareholders of the Association.

Other Characteristics

The subscription rights issued under the Plan of Conversion shall be non-transferable, and shall be given to eligible persons without payment. The shares sold pursuant to this offering will be freely transferable.

ARTICLES OF INCORPORATION

Pursuant to the Plan of Conversion, the Association's Articles of Incorporation and By-Laws will be amended. As a result, the amended By-Laws shall reflect the manner in which the Association shall operate as a capital stock association. The material changes to the By-Laws are as follows:

Authority to Issue Stock

At the present time, Ridgeway Savings does not have authority to issue stock. Upon completion of the Plan, the converted Association will be a capital stock association organized pursuant to the laws of the State of Maryland.

Voting

Present, the By-Laws of Ridgeway Savings provide that savings members shall have one vote for each account and an additional vote for each $100 or fraction thereof on deposit with the Association. Savings members may cast up to 100 votes at any annual or special meeting of members. Pursuant to the Plan of Conversion, the By-Laws will be amended to provide that holders of capital stock will be given exclusive voting rights entitling them to one vote for each share held.

REGISTRATION REQUIREMENTS

The Association will register the capital stock issued pursuant to the Plan of Conversion with the United States Securities and Exchange Commission, pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended only in the event that the converted Association has at least 500 stockholders upon consummation of the Plan. Upon such registration, the proxy and tender offer rules, insider trading reporting and other requirements of that Act would be applicable.

LEGAL OPINIONS

The legality of the capital stock will be passed upon for Ridgeway Savings by Robert B. Greenwalt, Esq., 1124 N. Rolling Road, Catonsville, Maryland, has acted as special counsel for the Association in connection with the Association's conversion and has consented to the reference herein to their opinion.

ACCOUNTANT

The consolidated finanacial statements included herin have been examined by the firm of David Wakely, Certified Public Accountant, 9344 Old Scaggsville Road, Laurel, Maryland, as stated in his opinion appearing herein, and has been so included in reliance upon such opinion, given upon the authority of that person as an expert in accounting and auditing. He has given his consent to the use of his opinion dated April 19, 1984 and to the reference to them under the heading "Consolidated Statement of Operations" herein.

ADDITIONAL INFORMATION

The Association has filed with the Division and MSSIC, (the addresses of which are 321 East Baltimore Street, Fifth Floor, Baltimore, Maryland, 21202, and 901 North Howard Street, Baltimore, Maryland 21201, respectively), an Application for Approval of Conversion from a mutual association to a capital stock association. The Division and MSSIC have given approval to the Plan subject to the Plan's approval by the members of the Association and subject to the satisfaction of certain other conditions imposed by the Division and MSSIC.

The Application for Approval of Conversion contains supporting exhibits, the provisions of which are summarized in this Proxy Statement, to the extent that such provisions are material to the matters under such consideration.

The Offering Circular, Proxy Statement and accompanying materials are prepared for the use of the members of the Association and certain other persons in connection with the purchase of capital stock offered pursuant to the Plan of Conversion and no material facts are knowingly omitted.

For further information with respect to the Association and the share to be offered hereby, reference is made to the Application for Approval of Conversion and to the exhibits and financial statements that are part thereof, which may be inspected at the offices of the Divsion and MSSIC.

APPRAISER

Trident Financial Corporation has consented to the publication herein of the summary of its letter to the Association, setting forth its opinion as to the estimated pro forma market value of the Association as converted.

CONSOLIDATED FINANCIAL STATEMENTS

DAVID W. WAKELEY
CERTIFIED PUBLIC ACCOUNTANT
9335 OLD SCAGGSVILLE ROAD
LAUREL, MARYLAND 20707
776-7759

Board of Directors
Ridgeway Savings & Loan Association
Catonsville, Maryland

I have reviewed the accompanying statement of financial position of Ridgeway Savings and Loan Association as of January 31, 1984, and the related statement of income, reserves and undivided profits, and changes in financial poisition for six months then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these statements is the representation of the management of Ridgeway Savings and Loan Association.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the January 31, 1984 interim financial statements in order for them to be in conformity with generally accepted accounting principles.

DW Wakeley

February 21, 1984

RIDGEWAY SAVINGS AND LOAN ASSOCIATION, INCORPORATED

CONSOLIDATED BALANCE SHEET

January 31, 1984
and July 31, 1982 and 1983

ASSETS

	July 31, 1982	July 31, 1983	January 31, 1984
Cash	$ 56,207	$ 997,361	$ 546,371
Loans Receivable	5,756,238	6,560,590	6,693,992
Federal Funds	50,000	00	425,000
Deposits with Maryland-Savings-Share Insurance Corp	153,300	166,500	194,300
Other Assets	43,685	24,797	31,482
Office Building and Furniture	143,205	137,695	150,897
	$ 6,202,635	$7,923,283	$8,090,450

LIABILITIES AND RETAINED INCOME

	July 31, 1982	July 31, 1983	January 31, 1984 (unaudited)
Free share accounts and share certificates	$5,861,643	$7,593,132	$7,841,731
Mortgage Escrow Accounts	98,114	148,920	78,026
Borrowed Money	100	100	100
Other Liabilities	1,725	4,283	1,373
	5,961,582	7,746,435	7,921,230
Retained Income			
General Reserves	308,533	308,533	308,533
Unappropriated	(67,480)	(131,685)	(130,163)
	241,053	176,848	178,370
	$6,202,635	$7,923,283	$8,090,450

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

CONSOLIDATED STATEMENTS OF RETAINED INCOME

SIX MONTHS ENDED JANUARY 31, 1984
(Unaudited)
AND THREE YEARS ENDED JULY 31, 1983

	Appropriated to general reserves	Unappropriated	Total
Balance, July 31, 1980	$ 289,166	$ 14,856	$ 304,022
Net Income	19,367	(16,691)	2,676
Balance, July 31, 1981	308,533	(1,835)	306,698
Net Income (LOSS)		(81,224)	(81,224)
Balance, July 31, 1982	308,533	(83,059)	225,474
Net Income (LOSS)		(48,626)	(48,6[illegible])
Balance, July 31, 1983	308,533	(131,685)	176,848
Net Income (LOSS)		1,522	1,522
Balance, January 31, 1984	308,533	(130,163)	178,370

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

Statement of Changes in Financial Position
For the Years ended July 31, 1981, 1982, 1983
and for the six months ended January 31, 1984

	Year ended July 31,			six month ended Jan
	1981	1982	1983	1984
Funds were obtained from:				
Operations:				
Net Income (loss)	(19,316)	(65,645)	(64,205)	17,522
Add:				
Deprecration	11,744	10,894	11,083	5,600
Total from Operations	(7,572)	(54,751)	(53,122)	23,122
Merger	21,992			
Net Inc in Accts Payable		866	2,558	
Net Incr in Savings accts		648,975	1,731,489	248,599
Decrease in Cash	73,827			66,640
Incr in Notes Payable	175,000			
Decrease in Prepaid Exp	1,168	1,273		2,369
Incr in Adv by Borrowers		6,443	50,806	
	$ 264,415	$ 602,806	$1,731,731	$340,730
Funds were used for:				
Incr in Investments				40,650
Incr in cash		72,648	891,154	
Net Decr in Savings Accts	44,898			
Net Incr in Loans	135,306	326,295	804,352	181,811
MSSIC Deposit	6,000	17,900	13,208	27,800
Property & Equipment	800	1,291	3,856	665
Repayment of Notes		175,000		
Decr in Advances by Borrowers	51,771			70,894
Decr in Accts Payable	17,342			2,910
Incr in Prepaid Expense			2,107	
Incr in Recoverable Income Taxes	8,298	9,672	17,062	
Other Decreases				16,000
	$ 264,415	$ 602,806	$1,731,731	$ 340,730

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

NOTES TO CONSOLIDATE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The accounting and reporting policies of Ridgeway Savings and Loan Association conform to generally accepted accounting principles and to general practices within the savings and loan industry in all material respects.

Allowance for possible loan losses

The Association has not experienced loan losses in the past and, based on management's evaluation of the loan portfolio, does not anticipate any in the future. Therefore, the Association does not provide an allowance for possible loan losses. If loan losses were to occur, they would be reported as an expenses in the income statement of the year in which they occur.

Office building and furniture and equipment

Office building and furniture and equipment are recorded at cost less accumulated depreciation.

Office building and building components are depreciated over estimated useful lives of fifteen to twenty-five years using the straight-line method. Furniture and equipment is depreciated over estimated useful lives of three to ten years [illegible]ng the straight-line method.

Income Taxes

Deferred income taxes are provided for the difference in timing of income recognition resulting from reporting of loan fees and accrued interest on loans on the accrual basis for financial statement purposes and the case basis for income tax purposes. Deferred income taxes relating to the accelerated depreciation associated with the Accelerated Cost Recovery System deduction for income tax purposes are not recorded as prepaid due to the uncertainty of their realization.

2. CHANGE IN METHOD OF ACCOUNTING FOR INTEREST ON LOANS

Prior to 1983, interest on loans was recorded in accordance with the cash basis method of accounting. This method approximated the accrual basis method since loan payments were collected monthly. The accrual interest on loans was recorded in 1983. The amount relating to period prior to July 1, 1983, net of related income taxes has been reported as income in 1982.

3. LOANS RECEIVABLE, NET

Loans Receivable as of July 31, 1982 and 1983 and January 31, 1984, consist of the following:

	July 31, 1982	July 31, 1983	January 31, 1984
First Mortgage Loans	$5,537,987	$5,993,233	$6,139,808
Land Loans	------	105,254	77,383
Second Mortgages	71,650	117,065	195,792
Construction Loans	37,000	312,700	150,959
Overdrawn Escrow Accounts	484	460	1,520
Loans to Depositors, Secured by Free Share Accounts	110,946	95,999	130,050
	$5,758,067	$6,624,711	$6,695,512

4. DEPOSITS WITH MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

Free share accounts and share certificates are insured up to a maximum of $100,000 per account by the Maryland Savings-Share Insurance Corporation. The Association is required to maintain a non-interest-bearing capital deposit with the Maryland Savings-Share Insurance Corporation equal to 2% (computed semi-annually) of its share accounts as an insurance fund for possible losses incident to the insurance of accounts.

In addition, Maryland Savings-Share Insurance Corporation maintains a central reserve fund to be used by insured associations for emergency borrowing. The fund, which earns variable interest based on market conditions, is to be maintained at a percentage of total free share accounts of insured associations.

The balance of the deposits are as follows:

	July 31, 1982	July 31, 1983	January 31 1984
Capital Deposit	$117,200	$127,200	$155,000
Central Reserve Fund	39,300	39,300	39,300
	$156,500	$166,500	$194,300

5. OFFICE BUILDING AND FURNITURE AND EQUIPMENT

A summary of office building and furniture and equipment is as follows:

	July 31, 1982	July 31, 1983	January 31, 1984
Land	$7,582.55	$7,582.55	$7,582.5
Building	163,389.60	163,389.60	163,389.6
Leasehold improvements	782.84	782.84	782.8
Furniture and equipment	39,777.69	43,459.06	44,124.
	211,532.68	215,214.05	215,879.4
Accumulated Depreciation	46,491.50	57,399.50	62,999.5
	$165,041.18	$157,814.55	$152,879.9

6. BREAKDOWN OF TOTAL MORTGAGES AS OF JANUARY 31, 1984

	Dollar Amount	Percent
Residential owner occupied	$ 4,375,925	67%
Commericial Non-owner occupied	1,600,478	24%
Second Mortgages	285,207	4%
Construction Loans	194,949	3%
Loans on Land	107,383	2%
	$ 6,563,942	100%

7. FREE SHARE ACCOUNTS AND SHARE CERTIFICATES

Free Share accounts and share certificates as of July 31, 1982 and 1983 and January 31, 1984, are summarized as follows:
(Information for the six months ended January 31, 1984 is unaudited)

	January 31,				January 31	
	1982		1983		1984	
Type of Account	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate
Free Share	$1,338,528	6.00%	$1,069,886	6.00%	$ 952,561	6.00%
Golden Passbook	968,296	7.50%	1,177,576	7.50%	1,107,333	7.50%
Certificates with contractural maturities of:						
90 days	168,793	7.9 - 13.2%	——		——	
180 days	1,649,404	9.5 - 12%	623,793	9.5 - 16%	472,346	8.6-9.5%
1 yr All Savers	516,361	7.1 - 12.6%	44,426	7.5 - 12.6%	——	
1 year	——		——			
30 months	801,336	9.5 - 16.5%	739,038	9.5 - 16.5%	743,965	9.5-16.5
IRA	13,400	9.5 - 14%	24,543	9.5 - 14$	28,185	9.5 - 14
Christmas Club	5,532	6¢	4,797	6%	1,792	6%
Jumbo Accounts	400,000	10.5 - 12%	900,000	9.5 - 12%	1,205,500	10 - 12%
Liquid Asset	——		3,009,073	9.5 - 12%	2,572,238	9.5 - 10
	$5,861,652		$7,593,132		$7,841,731	

8. INCOME TAXES

For Federal income tax purposes, a portion of the taxable income of a savings and loan association before provision for loan losses may be deducted in arriving at income subject to tax if certain conditions are met. Whether or not the maximum bad debt deduction is claimed is at the discretion of the association. Since there was a net operating loss for federal income tax purposes for 1982 and 1983, no bad debt deduction was allowed.

As of July 31, 1982 and 1983, the classificiation of general reserves and undivided profits for federal income tax purposes is as follows:

	1982	1983
Appropriations of income to reserve for loan losses on which no tax has been paid	0	0
Tax-free or tax-paid losses	$65,645	$64,205

The Association is allowed a special deduction for loan losses equivalent to a percentage of otherwise taxable income subject to certain limitations based on aggregate loans and free share account balances at the end of the year. If the amounts that qualifiy as deductions for federal income tax purposes are used later for purposes other than for bad debts or losses, they will be subject to federal income tax at the then current corporate rate. The anticipated net operating loss for 1983 will eliminate the tax benefit related to this special deduction.

The net unappropriated operating loss in excess of $131,685 at July 31, 1983 will be available to reduce future taxable income. The net operating loss for the year ended July 31, 1983 will result in additional refundable income taxes of $35,032.

9. LOAN COMMITTMENTS

None.

10. LEASE COMMITTMENTS

The Association leases the premises used as the main office. The lease is for a term of ten years beginning October 1, 1980.

Minimum rentals under the lease are as follows:

Year ended September 30	Amount
1980 - 1985	$8,400.00
1985 - 1990	$9,600.00

The Association contributes to the operating expenses of the lessor in addition to the above rent.

11. PLAN OF CONVERSION

On May 2, 1984, the Board of Directors of Ridgeway Savings and Loan Association unanimously adopted a plan of conversion whereby the Association will be converted from a state-chartered mutual savings and loan association to a state-chartered capital stock association pursuant to the rules and regulations for insurance of accounts of the Maryland Savings-Share Insurance Corporation, and the laws of the State of Maryland. Pursuant to the plan, shares of capital stock will be offered first to eligible account holders and then to such other persons as defined by the plan at a predetermined and uniform price. The price will be based upon an independent appraisa of the Association and will reflect its estimated pro-forma market value, as converted. The plan provides that non-transferable subscription rights to purchase stock wil be offered first to the Association's eligible account holders as of January 31, 1984, and then, to the extent that the stock is available, to supplemental eligible account holders of record as of the last day of the calendar quarter preceeding the approval of the Association's application to convert to a capital stock association, and then to other members of the Association, its directors and officers. Shares remaining wil then be offered to the general public in a direct community offering by the Association with preference given to persons residing in the county where the Association maintains offices.

Subsequent to conversion, savings deposit account holders and borrowers will not have voting rights in the Association. Voting rights will be vested exclusively with the stockholders of the Association. Savings deposit account holders will continue to be insured by the Maryland Savings-Share Insurance Corporation.

The costs associated with the conversion amount to $4,000.00 at May 1, 1984 and have been deferred. The total anticipated cost of $27,500.00 will be charged to the proceeds from the sale of stock. However, in the event the conversion is not consummated, these costs will be charged to expenses.

12. DELINQUENT LOANS AND REAL ESTATE OWNED

As of July 31, 1983 and January 31, 1984, the Association held no real estate owned (real estate bought back by Association at foreclosure).

As of July 31, 1983, the Association had only three (3) loans delinquent (ninety days past due). These loans were subsequently brought to date by January 31, 1984.

As of January 31, 1984 the Association had only 4 loans delinquent, representing 2% of all mortgage loans. The Association, also, had one loan in foreclosure as of January 31, 1984.

AMENDED ARTICLES OF INCORPORATION

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

FIRST: The name of this Corporation is Ridgeway Savings and Loan Assocaition, a Maryland corporation, doing business at 1124 North Rolling Road, Baltimore County, Maryland 21228.

SECOND: The Corporation is formed for the purpose of conducting a savings and loan business and to all things reasonable, necessary or appropriate thereto. The Corporation is chartered under the laws of Maryland and may exercise all the express, implied and incidental powers conferred thereby, and by all acts amendatory thereof and supplemental thereto.

THIRD: The address of the principal office of the Corporation is 1124 North Rolling Road, Catonsville, Maryland.

FOURTH: The resident agent of the Corporation is W. Walter Farnandis, whose business address is 1124 North Rolling Road, Catonsville, Maryland 21228. Said resident is a citizen of the State of Maryland and actually resides therein.

The charter of the Corporation is hereby amended by striking out Paragraphs 4 and 5 of said charter and inserting in lieu thereof the following:

FIFTH: The total number of shares of capital stock which the Corporation has authority to issue shall consist of   shares of capital stock having a par value of $1.00 per share. Upon full payment, such shares shall be fully paid and non-assessable in the hands of the holders thereof.

SIXTH: The Board of Directors of the Corporation shall consist of five members, which number may be decreased to not less than four (4) and increased to nor more than nine (9) members, and the following persons shall serve as directors of the Corporation until the expiration of their existing terms and until their successors are elected and qualify:

W. Walter Farnandis
W. Walter Farnandis, III
Anita Wilcox
Grace Devitt
Joseph Frey

SEVENTH: The duration of the Corporation shall be perpetual.

EIGHTH: Pursuant to the requirements of the REgulations of the Board of Savings and Loan Commissioners of the State of Maryland, the Corporation shall establish and maintain a liquidation account for the benefit of its savings account holders as of January 31, 1984 ("eligible savers"). In the event of a complete liquidation of the Corporation, it shall comply with such Regulations with respect to the amount and the priorities on liquidation of each of the Corporation's eligible savers inchoate interest in the liquidation account to the extent it is still in existence.

NINTH: No company which is significantly engaged in an unrelated business activity shall be permitted, either directory or through an affiliate to acquire control of the Corporation. The term "affiliate", "control" "significantly engaged" and "unrelated business activity" shall have the meaning defined in the Regulations of the Board of Savings and Loan Commissioners, as now or hereafter in effect.

TENTH: No amendment, addition, alteration, change or repeal of these Articles of Incorporation shall be made, unless such is first proposed by the Board of Directors of the Corporation, and thereafter approved by the stockholders by a majority of the total votes cast at a legal meeting. Any amendment, additions, alteration, change or repeal so acted upon shall be effective on the date it receives the approval of the Maryland Board of Savings and Loan Commissioners and thereafter accepted by the State Department of Assessment and Taxation.

ELEVENTH: The Board of Directors of the Corporation at a meeting duly convened and held on the 19th day of April, 1984, adopted a resolution in which was set forth the aforegoing amendement to the charter, declaring that said amendment of the charter was advisable and directing that it be submitted for action thereon at a Special Meeting of the Shareholders to be held on the _____ day of ___________, 1984, to be passed by a two-third's (2/3) vote of the shareholders.

IN WITNESS WHEREOF, Ridgeway Savings and Loan Association, has caused these presents to be signed and on its behalf by its President and its Corporate Seal to be hereunto affixed and attested by its Secretary on the _______ day of _______________, 1984.

ATTEST:

Rosemary Tyler
Rosemary Tyler, Secretary

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

By: W. Walter Farnandis
W. Walter Farnandis, President

STATE OF MARYLAND
to wit:
COUNTY OF BALTIMORE

I HEREBY CERTIFY that on the day of , 1984, before me, the subscriber, a notary public of the State of Maryland ,in and for the County of Baltimore, aforesaid, personally appeared W. WALTER FARNANDIS, President of Ridgeway Savings and Loan Association, a Maryland corporation, and in the name of and on behalf of the said Corporation acknowledged the foregoing Amended Articles of Incorporation to be the corporate act of said corportion and further made oath in due form of law that the matters and facts set forth in said Articles of Amendment with respect to the approval thereof are true to the best of his knowledge, information and belief.

WITNESS my hand and Notarial Seal, the day and year last above written.

Lorraine Moore

Lorraine Moore Notary Public

LORRAINE MOORE NOTARY PUBLIC BALTIMORE COUNTY, MD.

My Commission Expires:

July 1, 1986

AMENDED BY-LAWS OF
RIDGEWAY SAVINGS AND LOAN ASSOCIATION

ARTICLE I

CORPORATE NAME

SECTION 1. The corporate name of the corporation is Ridgeway Savings and Loan Association.

SECTION 2. The principal office of the corporation shall be 1124 N. Rolling Road, Catonsville, Maryland.

ARTICLE II

STOCKHOLDERS

SECTION 1. Place of Meeting. All annual and special meetings of stockholders shall be held at the principal office of the Corporation or at such other place in the State of Maryland as the Board of Directors may determine.

SECTION 2. Annual Meeting. A meeting of the stockholders of the Corporation for the election of directors and for the transaction of any other business of the Association shall be held annually on the third Wednesday in September of each year at 7:00 p.m., or at such other date and time as the Board of Directors may determine.

SECTION 3. Special Meeting. Special meetings of the stockholders for any purpose or purposes may be called at any time by the President or a majority of the Board of Directors and shall be called by the President or the Secretary upon the written request of the holders of not less than 25 percent of all the outstanding capital of the Corporation entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the home office of the Corporation addressed to the President or the Secretary.

SECTION 4. Conduct of Meetings. Meetings shall be conducted in accordance with the most current edition of Robert's Rules of Order.

SECTION 5. Notice of Meeting. Notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered by mail or published not less than twenty nor more than sixty days before the date of the meeting, by the direction of the President, or the Secretary, or the directors calling the meeting. Notice shall be given to all stockholders in accordance with the Laws of Maryland. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than thirty days or of the business to be transacted thereat, other than an announcement at the meeting at which such adjournment is taken.

SECTION 6. Fixing of Record Date. For the purpose of determining stockholders entitled to notice of or to vote at any meeting or stockholders or any adjournment thereof, or stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors shall fix in advance a date as the record date for any such determination of stockholders, not less than twenty days prior to the date on which the particular action requiring such determination of stockholders is to be taken. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall apply to any adjournment thereof.

SECTION 7. Voting List. The officer or agent having charge of the records of the Corporation shall make at least ten days before each meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order with the address of and the number of votes held by each, which list shall be kept on file at the home office of the Corporation and shall be subject to inspection by any stockholder at any time during usual business hours, for a period of then days prior to such meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders entitled to examine such list or to vote at any meeting of stockholders.

SECTION 8. Quorum. Any number of stockholders present, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. A majority of all votes cast, whether in person or by proxy, shall determine any question, unless otherwise provided by law.

SECTION 9. Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney in fact. Proxies solicited on behalf of the management shall be voted as directed by the stockholder or, in the absence of such direction, as determined by a majority of the Board of Directors.

SECTION 10. Voting Rights. At all meetings of stockholders of the Corporation, stockholders shall have the following voting rights: Each holder of shares of capital stock shall be entitled to one vote for each share of capital stock that the member owns of record. When ownership stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the stockholders of the Corporation any one or more such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names ownership stands, the vote or votes to which those persons are entitled shall be cast as directed by a majority of the named owners present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

SECTION 11. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by an officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court or other public authority by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

SECTION 12. Nominating Committee. The Board of Directors shall act as a nominating committee for selecting the management nominees for election as directors. Except in the case of a nominee substituted as a result of the death or other incapacity of a management nominee, the nominating committee shall deliver written nominations to the Secretary at least twenty days prior to the date of the annual meeting. Provided such committee makes such nominations, no nominations for directors except those made by the nominating committee shall be voted upon at the annual meeting unless other nominations by stockholders are made in writing and delivered to the Secretary of the Corporation at least five days prior the date of the annual meeting.

SECTION 13. New Business. Any new business to be taken up at the annual meeting shall be stated in writing and filed with the Secretary of the Corporation at least five days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. Any stockholder may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the Secretary at least five days before the meeting such proposal shall be laid over for action at an adjourned, special or annual meeting of the stockholders taking place thirty days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors, and committees, but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. General Powers. The business and affairs of the Corporation shall be under the direction of its Board of Directors. The Board of Directors may annually elect a Chairman of the Board and a President from among its members. The Chairman of the Board of his designee shall preside at its meetings of the Board of Directors.

SECTION 2. Number and Term. The Board of Directors shall consist of five members, which number may be decreased to not less than four (4) and increased to not more than nine (9) members. The members of the Board of Directors shall be elected annually.

SECTION 3. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as are designated by the Board of Directors.

SECTION 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or one-third of the directors. The persons authorized to call special meetings of the Board of Directors may fix any place, within the Corporation's regular lending area, as the place for holding any special meeting of the Board of Directors called by such persons.

SECTION 5. Notice. Written notice of any special meeting shall be given to each director at least two days previously thereto delivered personally or by telegram, or at least five days previously thereto delivered by mail at the address at which the director is most likely to be reached. Such notice shall be deemed to be delivered when deposited in the U.S. mail so addressed, with postage thereon prepaid if mailed, or when delivered to the telegraph company if sent by telegram. Any director may waive notice of any except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 6. Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time.

SECTION 7. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless a greater number is prescribed by these By-Laws.

SECTION 8. Action Without a Meeting. Any action required or permitted to be taken by the Board of Directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

SECTION 9. Resignation. Any director may resign at any time by sending a written notice of such resignation to the home office of the Corporation addressed to the President. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the President.

SECTION 10. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors. A director elected to fill a vacancy shall be elected to serve until the next election of directors.

SECTION 11. Compensation. Directors, as such, may receive a stated compensation for their services. By resolution of the Board of Directors, a reasonable fixed sum, and reasonable expenses of attendance if any, may be allowed for actual attendance at committee meetings as the Board of Directors may determine.

ARTICLE IV

EXECUTIVE AND OTHER COMMITTEES

SECTION 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from among its members, two or more of the directors to constitute an executive committee.

SECTION 2. Authority. The executive committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except that no such committee shall have the authority of the Board of Directors in reference to amending the Articles of Incorporation, adopting a plan of merger or consolidation, recommending to the stockholders the sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all other property and assets of the Corporation other than in the usual and regular course of its business, or recommending to the stockholders a voluntary dissolution of the Corporation or a revocation thereof.

SECTION 3. Meetings. Meetings of the executive Committee may be held without notice at such times and places as the executive committee may fix from time to time by resolution.

SECTION 4. Quorum. A majority of the members of the executive committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the executive committee must be authorized by the affirmative vote of a majority of the members present at which a quorum is present.

SECTION 5. Action Without a Meeting. Any action required or permitted to be taken by the executive committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the executive committee.

SECTION 6. Vacancies. Any vacancy in the executive committee may be filled by a resolution adopted by a majority of the full Board of Directors.

SECTION 7. Resignation and Removal. Any member of the executive committee may be removed at any time with or without cause by resolution adopted by a majority of the full Board of Directors. Any member of the executive committee may resign from the executive committee at any time by giving written notice to the President or Secretary of the Corporation. Unless otherwise specified thereon, such resignation shall take effect upon receipt. The acceptance of such resignation shall not be necessary to make it effective.

SECTION 8. Procedure. The executive committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these By-Laws.

SECTION 9. Other Committees. The Board of Directors may by resolution establish an audit committee, a loan committee or other committees composed of directors as they may determine to be necessary or appropriate for the conduct of business of the Corporation and may prescribe the duties, constitution and procedures thereof.

ARTICLE V

OFFICERS

SECTION 1. Positions. The officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. The Board of Directors may also designate a Chairman of the Board as an officer. The President shall be a director of the Corporation. The Board may designate one or more Vice Presidents as Executive Vice President or Senior Vice President. The Board of Directors may also elect or authorize the appointment of such other officers as the business of the Corporation may require. The officers shall have such authority and perform such duties as the Board of Directors may from time to time authorize or determine. In the absence of action by the Board of Directors, the officers shall have such powers and duties as generally pertain to their respective offices.

SECTION 2. Election and Term of Office. The officers of the Corporation shall be elected annually by the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer, employee or agent shall not of itself create contract rights. The Board of Directors may authorize the Corporation to enter into an employment contract with any officer in accordance with the laws of the State of Maryland; but no such contract shall impair the right of the Board of Directors to remove any officer any time in accordance with Section 3 of this Article 5.

SECTION 3. Removal. Any officer may be removed by the Board of Directors whenever in its judgement the best interests of the association will be served thereby, but such removal, other than for cause, shall be without prejudice to the contract rights if any, of the person so removed.

SECTION 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. Remuneration. The remuneration of the officers shall be fixed from time to time by the Board of Directors.

ARTICLE VI

CONTRACTS, LOANS, CHECKS AND DEPOSITS

SECTION 1. Contracts. To the extent permitted by regulations of the Maryland Division of Savings and Loan Association, and except as otherwise prescribed by these by-laws with respect to certificates for shares, the Board of Directors may authorize any officer, employee, or agent of the association to enter into any contract or execute and deliver any instrument in the name of and on behalf of the association. Such authority may be general or confined to specific instances.

SECTION 2. Loans. No loans shall be contracted on behalf of the association and no evidence of indebtedness shall be issued in its name unless authorized by the Board of Directors, or a committee formed by them. Such authority may be general or confined to specific instances.

SECTION 3. Checks, Drafts, Etc. All checks, drafts, or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by one or more officers, employees or agents of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

SECTION 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the cedit of the Corporation in any of its duly authorized depositories as the Board of Directors may select.

ARTICLE VII

CAPITAL STOCK

SECTION 1. Certificates for Shares. Certificates representing shares of capital stock of the Corporation shall be in such form as shall be determined by the Board of Directors in accordance with the laws of the State of Maryland and the regulations of the Board of Savings and Loan Commissioners. Such certificates shall be signed by the President or Vice President of the Corporation, attested by the Secretary or an Assistant Secretary, and sealed with the corporate seal or a facsimile thereof. Each certificate for shares of capital stock shall be consecutively numbered. The name and address of the person to whom the shares are issued with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost or destroyed certificate, a new certificate may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 2. Transfer of Shares. Transfer of shares of capital stock of the Corporation shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record thereof or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Corporation. Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

SECTION 3. Issuance of Shares. The Board of Directors may from time to time authorize the issuance of additional shares of capital stock or securities convertible into capital stock. No additional shares of capital stock or securities convertible into capital stock shall be issued except in accordance with a plan filed with and approved by the Director of the Maryland Division of Savings and Loan Associations.

ARTICLE VIII

SAVINGS AND RELATED ACCOUNTS

SECTION 1. Types of Accounts. The Corporation shall be authorized to offer all types of savings accounts, checking accounts and other deposit plans as shall be authorized by applicable law and regulation.

ARTICLE IX

INDEMNIFICATION

The Corporation shall indemnify, to the full extent permitted by the laws of the State of Maryland, any present or former director, officer, agent, or employee of the corporation, who, by reason of such position, was, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, absent a finding of gross negligence or willful misconduct.

ARTICLE X

FISCAL YEAR

The fiscal year of the Corporation shall end on the last day of July of each year.

ARTICLE XI

CORPORATE SEAL

The Board of Directors shall provide an Corporate seal which shall be concentric circles between which shall be the name of the Corporation. The year of incorporation may appear in the center.

ARTICLE XII

AMENDMENTS

These By-Laws may be amended at any time by a two-thirds vote of the Board of Directors.

FORM OF REVOCABLE PROXY

PRELIMINARY COPY

R E V O C A B L E   P R O X Y

(Solicited on behalf of the Management of
Ridgeway Savings and Loan Association
for a Special Meeting of Members to be held on *)

The undersigned member of Ridgeway Savings and Loan Association hereby appoints W. Walter Farnandis, with full powers of substitution, as attorneys-in fact and agent for and in the name of the undersigned, to vote such votes as the undersigned may be entitled to cast at the Special Meeting of the Members of Ridgeway Savings and Loan Association, to be held at the principal office of the Association, 1124 N. Rolling Road, Baltimore, Maryland on *, 1984, at * p. m., and at any adjournment thereof. He is authorized to cast all votes to which the undersigned is entitled as follows:

	YES	NO
Adoption of the Plan of Conversion ("Plan"), dated , said Plan providing for the conversion of Ridgeway Savings and Loan Assocaition from a mutual type association to a captial stock association, including the adoption of amended articles of incorporation and by-laws for the Assocation, and any other matters that may lawfully come before the meeting of members in connection with the Plan, including the power to vote for any changes in the Plan which are not materially adverse to the interest of the members of the Association, are deemed advisable to the Board of Directors of the Association and are approved the Director of the Division of Savings and Loan Association	☐	☐
In their discretion, on any matters that may lawfully come before the meeting	☐	☐

NOTE: Management is not aware of any other matter that may come before the Meeting

THIS PROXY WILL BE VOTED FOR EACH OF THE PROPOSITIONS
STATED IF NO CHOICE IS MADE HEREIN

* These spaces intentionally left blank.

Votes will be cast in accordance with the Proxy and the Plan will be adopted even if one or more of the other propostions are not approved by the members.

Should the undersigned be present and elect to vote at said meeting or at any adjournment thereof and, after notification to the Secretary of the Association at said Meeting of the member's decision to terminate this Proxy, then the power of said attorney-in-fact or agent shall be deemed and of no further force and effect.

The undersigned acknowledges receipt of a Notice of Special Meeting of the Members of Ridgeway Savings and Loan Association, called for the * day of *, 1984, and a Proxy Statement from the Association dated the * day of *, prior to the execution of this Proxy.

Date

Signature

Note: Only one signature is required in the case of a joint account.

* These spaces intentionally left blank.

ESTIMATED EXPENSES

EXPENSES INCIDENT TO THE CONVERSION

* Legal	$ 7,000.00
* Postage and Mailing	2,000.00
* Printing and Reproduction and Mailing	7,500.00
* Appraisal Fees	9,000.00
* Auditing and Accounting Fees	1,000.00
* Other Expenses	1,000.00
Total	$27,500.00

* Estimated

DIVISION OF SAVINGS AND LOAN ASSOCIATIONS

321 East Baltimore

Baltimore, Maryland

FORM OC

PRELIMINARY SUBSCRIPTION OFFERING CIRCULAR
AND RELATED OFFERING LETTERS

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

1124 N. Rolling Road
Baltimore, Maryland 21228

SUBSCRIPTION OFFERING CIRCULAR

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

100,000 Common Stock Shares
(Par Value $1.00)

Pursuant to its Plan of Conversion, Ridgeway Savings and Loan Association (Ridgeway Savings or the "Association") is offering rights to subscribe for 100,000 shares of common stock to be issued upon conversion of the Association from mutual to stock form. Such rights are being offered to savings account holders as of January 31, 1984, certain current savings account holders and officers, directors and other employees of the Association. Reference is made to "Subscription Rights and Direct Community Offering", page 7 of the Proxy Statement, dated ___*___ which is enclosed herein ("Proxy Statement").

All subscription rights are nontransferable and will expire if not exercised by returning the accompanying order form (blue card) along with full payment (or appropriate instructions authorizing withdrawal from a savings account) for all shares for which subscription is made to the Association by 5:00 p.m., Eastern Time, ___*___ . Such expiration date is subject to extension by the Association with the consent of the regulatory authorities. It is anticipated that, in the event not all of the sares are subscribed for in the subscription offering, thenthe remaining shares will be offered in a direct community offering by the Association giving preference to natural residents of County, Maryland. See "Timing of Offering and Nature of Subscriptions", p. 7 hereof and "Subscription Rights and Direct Community Offering", p.11 of the Proxy Statement. Regulations require that all shares be sold.

THE ASSOCIATION HAS NEVER ISSUED STOCK IN THE PAST AND IT IS NOT ANTICIPATED THAT A PUBLIC MARKET WILL DEVELOP FOR THE CAPTIAL STOCK OF THE ASSOCIATION DESCRIBED HEREIN. THE ASSOCIATION, WILL, HOWEVER, USE ITS BEST EFFORTS TO FOSTER A MARKET FOR ITS SHARE THROUGH THE MATCHING OF BUY AND SELL ORDERS.

THE ASSOCIATION'S CONVERSION TO A STOCK ORGANIZATION IS CONTINGENT UPON APPROVAL OF THE ASSOCIATION'S PLAN OF CONVERSION BY ITS MEMBERS AND UPON THE SALE OF ALL SHARES OFFERED PURSUANT TO THE PLAN OF CONVERSION.

THESE SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE MARYLAND DIVISION OF SAVINGS AND LOAN ASSOCIATIONS OR THE MARYLAND SAVINGS-SHARE INSURANCE CORPORATION, NOR HAS SUCH DIVISION OR CORPORATION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

*This space intentionally left blank.

OFFERING CIRCULAR SUMMARY

The following information with respect to the Association is qualified in its entirety by the detailed information and financial statements appearing in the enclosed Proxy Statement which is incorporated in its entirety by reference.

THE ASSOCIATION:	Ridgeway Savings and Loan Association is a Maryland-chartered mutual savings and loan association which began operations in 1955 . Since 1961 its savings deposits have been insured, currently up to $100,000 for each depositor, by the Maryland Savings-Share Insurance Corporation (MSSIC). The Association's business is conducted through its office at 1124 N. Rolling Road, Baltimore, Maryland. The principal business of the Association is to accept savings deposits from the general public and to make mortgage and other loans. Its income is derived largely from interest and fees in connection with such loans. Its principal expenses are interest paid on savings deposits and its operating expenses.
THE CONVERSION:	The Association is in the process of converting from a mutual to a stock-owned association. The resulting increase in the net worth of the Association as a result of the sale of the Conversion Stock will support future savings growth and thereby permit increased mortgage and other lending.
THE OFFERING:	shares of common stock a $ per share.
DIVIDENDS:	The Association does not anticipate paying cash dividends at this time. The Association may, however, pay stock Dividends on its outstanding shares.
USE OF PROCEEDS:	To be immediately invested in short term investments and as the demand for mortgage and other loans increases, to be invested in real estate loans and other permissible investments.

SELECTED FINANCIAL DATA:

The table immediately following sets forth certain financial information about the Association at the dates indicated:

	SUBSCRIPTION PRICE (1)	ESTIMATED EXPENSES (2)	ESTIMATED NET PROCEEDS
Per Share			
TOTAL			

(1) As explained under "Stock Pricing", page __ of the Proxy Statement, the current aggregate value of the stock being issued by the Association is based on an independent appraisal of the Assocation as of ___*___, 1984. The final aggregate value will be determined at the time of closing of the Association's stock offering and is subject to change due to chaning market conditions. Regulations permit a change of up to 15% in the final valuation (within a range of from $ to $ in the aggregate value of the stock being issued) which, if required, will be accomplished through an appropriate adjustment in the number of shares being offered (within a range of from shares to shares). In the event of such adjustment, subscribers will be contacted regarding an appropriate change in their purchase orders.

(2) Includes estimated printing, postage, legal, accounting and miscellaneous expenses which the Association must pay in connection with the conversion, assuming the Association offers its unsubscribed shares in a direct community offering.

THE DATE OF THIS OFFERING CIRCULAR IS ___*___.

* This space intentionally left blank

	AT July 31,					AT January 31,
	1979	1980	1981	1982	1983	1984
Total Loans Outstanding	4,786,635	5,218,871	5,327,641	5,646,637	6,428,252	6,563,942
Total Assets	5,404,735	5,717.068	5.756,058	6,184,222	7,940.182	8,090,450
Total Savings	5,050,506	5,257,566	5,212,669	5,861,643	7,593,132	7,841,731
Total Borrowings	1,000	100	175,100	100	100	100
Total Net Worth	279.559	315 250	305,759	223,316	173,138	169,221
No. of Real Estate Loans	---	232	257	245	252	264
No. of Savings Accts	---	1,527	1,350	1,580	900	1,250.
No. of Offices	2	2	2	2	2	2

SUMMARY OF OPERATIONS

The following table summarizes the Association's results of operation (on a consolidated basis if applicable) for each of the periods indicated:

	YEAR ENDING JULY 31,					6 months ended January 31,
	1979	1980	1981	1982	1983	1984
Interest on Loans	425,085	498,116	540,549	605,334	693,356	388,243
Interest on Investments	9,905	13,350	6,163	21,067	52,270	34,840
Interest Expense	293,822	379,668	477,948	594,029	706,255	354,746
Net Interest Income	141,168	131,798	68,764	32,372	39,371	68,337
Loan Fees & Service Chgs	4,664	5,507	6,832	8,163	14,158	12,320
Other Income	3,585	4,648	4,488	3,959	9,170	4,047
General Admin Expenses	84,189	95,798	104,848	122,661	144,904	67,182
Income Taxes	10,636	10,557	(5,448)	(12,522)	(18,000)	[illegible]
NET INCOME (LOSS)	54,592	35,598	(19,316)	(65,645)	(64,205)	17,522

2592

Following completion of the conversion, Ridgeway Savings will forward stock certificates to purchasers of conversion stock.

It is the opinion of special counsel for the Association, Robert B. Greenwalt, that the capital stock is exmpt from the registration requirements under the Securities Act of 1933 pursuant to Section 3(a)(5) thereof. Therefore, the capital stock offered hereby has not been registered with the Securities and Exchange Commission.

FOR DETAILS REGARDING THE PLAN OF CONVERSION AND OTHER PERTINENT INFORMATION RELATING TO THE SHARES BEING OFFERED, THE OFFEREE IS REFERRED TO THE PROXY STATEMENT AND PLAN OF CONVERSION ENCLOSED HEREIN. THE PLAN OF CONVERSION AND PROXY STATEMENT, WITH ATTACHMENTS, ARE SPECIFICALLY INCORPORATED HEREIN BY REFERENCE.

No person has been authorized in connection with this offering to give any information or to make any representation not contained in this Offering Circular, and, if given or made, such information or representation must not be relied upon as having been authorized. This Offering Circular does not constitute an offer of any securities other than those to which it relates or an offer to any person in any jurisdiction where such offer would be unlawful. The delivery of this Offering Circular at any time does not imply that the information herein is correct as of any time subsequent to its date.

TIMING OF OFFERING AND NATURE OF SUBSCRIPTIONS

All subscription rights offered hereby are non-transferable and will expire if not exercised by returning the accompanying order form (the blue card) with full payment (or appropriate instructions authorizing withdrawal from a savings account) for all shares for which subscription is made to Ridgeway Savings by 5:00 P.M. Eastern Time, __*__ . Use the enclosed postage-paid envelope (blue ink) to return your subscription. Such expiration date is subject to extension by the Association with the consent of the regulatory authorities. In the event not all of the shares are subscribed for in the subscription offering, then the remaining shares will be offered to the general public in a direct community offering. Under the Association's Plan of Conversion and the regulations of the Maryland Savings and Loan Division, the sale of all shares must be completed within 45 days after the close of the subscription offering, unless extended by the Association with the consent of the regulatory authorities. Once tendered and accepted by the Association, subscription orders may not be revoked. As noted under "Stock Pricing", page 10 of the Proxy Statement, the number of shares being issued may be increased or decreased from the currently contemplated offering of 100,000 shares by up to 15% (within a range from shares to shares) if required by changing market conditions from the time of commencement of this offering until its completion.

(Ridgeway Savings Letterhead)

Dear Member:

The Maryland Board of Savings and Loan Commissioners has recently approved an application submitted by Ridgeway Savings and Loan Association whereby Ridgeway Savings will be converted from a mutual association to a captial stock association.

Pursuant to the Plan of Conversion, we are enclosing a proxy statement around which is a Subscription Offering Circular.

First, it is very important that you sign and return your Proxy (the enclosed white card) to Ridgeway Savings on or before ____*____, when a Special Meeting of the Members will be held at the main office of the Association, 1124 N. Rolling Road, Baltimore, Maryland, commencing at * p.m. At that time, the members of the Association will consider and vote upon the Plan of Conversion.

The Board of Directors and management believe conversion will be beneficial to the Association and its account holders, and recommend that you vote "FOR" the Plan of Conversion. Voting for the Plan of Conversion does not in anyway obligate you to buy stock in the Association. Buying stock is an entirely separate matter discussed later in this letter and in the accompanying offering materials.

If the Plan of Conversion is approved by the members and implemented, voting rights in the Association will be vested in the holders of the Association's common stock. The conversion will not affect the Association's management, the balance or interest rates on your savings accounts, nor existing insurance of your savings account by the Maryland Savings-Share Insurance Corporation.

IN ORDER THAT WE MAY CONVERT TO A STOCK FORM OF ASSOCIATION, IT IS IMPERATIVE THAT YOU REVIEW THE ENCLOSED PROXY STATEMENT (WHICH IS INSIDE THE SUBSCRIPTION OFFERING CIRCULAR), AND IMMEDIATELY RETURN THE WHITE PROXY CARD WHICH IS LOCATED IN THE SEPARATE POCKET BEHIND THE WINDOW OF THE MAILING ENVELOPE. IF YOU RECEIVE MORE THAN ONE PROXY CARD, PLEASE SIGN AND RETURN EACH OF THEM. A PREPAID, SELF-ADDRESSED ENVELOPE (BLACK INK) IS ENCLOSED FOR THIS PURPOSE.

Your vote is important -
failure to return your proxy card counts as a no vote.

* This space intentionally left blank.

In addition to the proxy materials enclosed herewith, we have also included a Subscription Offering Circular, which is wrapped around the Proxy Statement and incorporates the Proxy Statement by reference, as well as an Order Form (the blue card) for any stock in the Association you may wish to purchase. All orders for conversion stock are contingent upon the Member approval of the Plan of Conversion at the Special Meeting.

Pursuant to the Plan, the present and certain former depositors of the Association have been granted non-transferable subscription rights to purchase capital stock to be issued by the Association. YOU ARE NOT REQUIRED TO PURCHASE ANY STOCK IN THE ASSOCIATION OR YOU MAY PURCHASE A PORTION OF YOUR ALLOTMENT.

In connection with the stock offering, you should be aware of the following procedures we have adopted in order to effectuate the subscription process:

While the directors, officers and employees of the Association may explain factual information contained in the offering materials, they are not permitted to give investment advice regarding the purchase of stock in the Association. For information about the Association, the Plan of Conversion and other related matters you should read the Subscription Offering Circular accompanying this letter and review the Proxy Statement it incorporates.

Please note your maximum share entitlement as it appears on the blue Order Form. This number represents the maximum number of shares that you are entitled to purchase as a member or former member of the Association (a subscriber may purchase as little as 25 shares of stock). No assurance can be given that the total number of shares shown thereon will, in fact, be available for purchase by you. If you wish to purchase additional shares if available, you should check the box on the Order form provided for that purpose. For particulars as to the method of computation of shares, and the price, you are referred to the "Stock Pricing" section of the Proxy Statement enclosed herewith.

PLEASE COMPLETE "NUMBER OF SHARES" AND :TOTAL DUE" ON THE ORDER FORM IF YOU WISH TO PURCHASE ANY SHARES. ADDITIONALLY, PLEASE DESIGNATE ON THE ORDER FORM, IN THE APPROPRIATE PLACE, THE METHOD OF PAYMENT FOR THE SHARES.

If you are paying for shares by means of withdrawal from your savings account or certificate account, then the association will, upon receipt of a properly completed and fully executed Order From from you, note the authorized withdrawal from your account. Remember that a withdrawal from a certificate account can be made for the purpose of purchasing stock without imposition of an early withdrawal penalty or loss of accrued interest normally associated with a premature withdrawal. If following the withdrawal, the remaining balance is less than the minimum prescribed by regulations, the certificate will be cancelled and the remaining balance will earn interest at the passbook rate.

The Association will pay interest at not less than the passbook rate on all amounts paid for its conversion stock in cash, or by check or money order, from the date payment is received until the date the conversion is closed.

If you decide to buy stock, you should properly and fully execute the blue Order Form and date it. Indicate in the space provided your social security number (or federal tax identification number in the case of purchases for corporate, partnership or fidicuiary accounts) and your exact name and address (if different from that shown on the Order Form).

IN ORDER TO PURCHASE SHARES, THE COMPLETED AND FULLY EXECUTED ORDER FORM (BLUE CARD), TOGETHER WITH PAYMENT FOR SHARES, MUST BE RETURNED TO AND RECEIVED BY THE ASSOCIATION AT OR BEFORE 5:00 p.m., EASTERN TIME, ON ___*___. USE THE POSTAGE PAID REPLY ENVELOPE (BLUE INK) TO RETURN YOUR ORDER FORM.

Assuming the Plan of Conversion is approved at the Special Meeting, the Association expects to review the stock subscriptions received promptly after the completion of the subscription offering. After review, you will be notified as to the number of shares it is finally determined which you are entitled to purchase and the price per share, and if your subscription cannot be completely filled, or a downward price adjustment occurs, then an appropriate adjustment will be made in your order. If there are additional shares avilable, after the completion of the subscription offering, you will be notified as to the number of additional shares which you may purchase.

PLEASE REMEMBER THAT THE SUBSCRIPTION RIGHTS THAT ARE GIVEN TO YOU PURSUANT TO THE PLAN OF CONVERSION ARE PERSONAL IN NATURE AND ARE NON-TRANSFERABLE.

If you have any questions, please feel free to call us at (301) 744-0444.

Thank you for yoru continued interest in Ridgeway Savings.

Sincerely

* This space intentionally left blank.

(Ridgeway Savings Letterhead)

Dear Friend:

Recently, the Maryland Board of Savings and Loan Commissioners approved the Plan of Conversion submitted by this Association whereby Ridgeway Savings and Loan Association will be converted from a Maryland chartered mutual association to a Maryland chartered capital stock association.

Our records indicate that you were a depositor in this Association on , 198 but that you are not currently a depositor. Therefore, under applicable regulations, while you are not entitled to vote with current members of the Association on the Plan of Conversion you are entitled to buy stock in the Associations's Subscription Offering. Such Offering is being made to you as well as other depositors of the Association on , and to the Association's current members, concurrently with the proxy solicitation of current members for their vote to adopt the Plan of Conversion. Orders submitted by you and others in this Subscription Offering are contingent upon adoption of the Plan of Conversion at a Special Meeting of Members to be held on __*__. Management anticipates that the Members will approve and adopt the Plan at the Special Meeting.

Enclosed with this letter are an Offering Circular and an Order Form to be used should you decide to purchase any stock in the Association. YOU ARE NOT REQUIRED TO PURCHASE ANY STOCK IN THE ASSOCIATION OR YOU MAY PURCHASE A PORTION OF YOUR ALLOTMENT.

In connection with the stock offering, you should be aware of the following procedures we have adopted in order to effectuate the subscription process.

While the directors, officers and employees of the Association may explain factual information contained in the offering materials, they are not permitted to give investment advice regarding the purchase of stock in the Association. For information about the Association, the Plan of Conversion, and other related matters, you should read the Subscription Offering Circular accompanying this letter and review the Proxy Statement it incorporates.

Please note your maximum share entitlement as it appears on the Order Form. This number represents the maximum number of shares that you are entitled to purchase as a former member of the Association (a subscriber may purchase as little as 25 shares of stock). No assurance can be given that the total number of shares shown thereon will, in fact, be available for purchase by you. If you wish to purchase additional shares, if available, you should check the box on the Order Form provided for that purpose. For particulars as to the method of computation of shares, and the price, you are referred to the "Stock Pricing" Section of the Proxy Statement enclosed herewith.

PLEASE COMPLETE "NUMBER OF SHARES" AND "TOTAL DUE" ON THE ORDER FORM IF YOU WISH TO PURCHASE ANY SHARES. ADDITIONALLY, PLEASE DESIGNATE ON THE ORDER FORM, IN THE APPROPRIATE PLACE, THE METHOD OF PAYMENT OF THE SHARES.

The Association will pay interest at not less than the passbook rate on all accounts paid for its conversion stock in cash or by check or money order, from the date payment is received until the date the conversion is closed.

If you decide to buy stock, you should properly and fully execute the Order Form and date it. Indicate in the space provided your social security number (or federal tax identification number in the case of purchases for corporate, partnership or fiduciary accounts) and your exact name and address (if different from that shown on the Order Form).

IN ORDER TO PURCHASE SHARES, THE COMPLETED AND FULLY EXECUTED ORDER FORM, TOGETHER WITH PAYMENT FOR SHARES, MUST BE RETURNED TO AND RECEIVED BY THE ASSOCIATION AT OR BEFORE 5:00 P.M., EASTERN TIME, ON _*_.

Assuming the Plan of Conversion is approved at the Special Meeting, the Association expects to review the stock subscriptions received promptly after the completion of the subscription offering. After review, you will be notified as to the number of shares it is finally determined which youare entitled to purchase and the price per share, and if your subscription cannot be completely filled, downard price adjustment occur, then an appropriate adjustment will be made in your order. If there are additional shares available after the completion of subscription offering, you will be notified as to the number of additional shares which you may purchase.

PLEASE REMEMBER THAT THE SUBSCRIPTION RIGHTS THAT ARE GIVEN TO YOU PURSUANT TO THE PLAN OF CONVERSION ARE PERSONAL IN NATURE AND ARE NON-TRANSFERABLE.

If you have any questions, please feel free to call us at (301) 744-0444.

Thank you for your continued interest in Ridgeway Savings.

Sincerely,

* This space intentionally left blank.

PROPOSED SUBSCRIPTION ORDER FORM

2559

(Subscription Order Form)

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

ORDER FORM FOR PURCHASE OF COMMON STOCK

By signing this order form, you acknowledge that to the extent that stock is available for purchase, you are entitled to purchase not less than 25 shares at a price of $ per share. Your purchase rights are based on the current contemplated issue of 100,000 shares. The total number of shares ultimately issued by the Association is, however, subject to adjustment prior to closing of the offering as explained more fully in the Subscription Offering Circular. Should the total number of shares ultimately issued be changed, you will be contacted regarding an appropriate adjustment in your purchase order. No fractional shares will be issued. In payment for the total shares subscribed for herein (please place an "X" in the applicable box below):

☐ Enclosed is a check or money order in the amount of $______________ (or cash if presented in person)

☐ I(we) hereby authorize the Association to make the withdrawls indicated hereon.

Account Number	Amount
TOTAL	

I(we) wish to purchase the following number of shares:

Number of Shares ________ x Price per Share ($) = Total Due $__________

To the extent that the shares herein subscribed for are not available for purchase, the funds herein forwarded (or an appropriate portion thereof) to Ridgeway Savings and Loan Association (or charged against my(our) account or certificate of deposit) will be refunded.

2590

The expiration date for this Subscription Offering is 5:00 P.M. Eastern Time, on ____________.

To be effective, this Form properly completed by the person or entity to whom addressed, must be actually received at the Association's main office, before the expiration date, together with a check or money order for the appropriate amount or authorization for the Association to withdraw the appropriate amount from the subscribing member's savings account; otherwise all rights exercisable under this Form will become void. All rights exercisable are non-transferable.

I(we) hereby authorize fulfillment of the requested order. I(we) understand that this Order will be filled in accordance with and subject to the provisions of the Subscription Offering Circular dated ____________, a copy of which I(we) have received with this form.

Further, I(we) certify that the shares being subscribed for are for my(our) account only and that there is no prsent agreement or understanding regarding any subsequent sale or transfer of such shares.

Complete the information below (Please print clearly). I(we) hereby take record ownership of the shares in the following form:

Check one box

2591 ☐ ____________ (Name) as individual owner — ____________ Date / Authorized Signature / Title (if applicable)

☐ ____________ (Name) and ____________ (Name) as joint tenants with right of survivorship — ____________ Date / Authorized Signature / Title (if applicable)

☐ ____________ (Name) and ____________ (Name) as tenants in common — ____________ Date / Authorized Signature / Title (if applicable)

☐ ____________ Account Title — Corporation or partnership Account

☐ ____________ Account Title — Fiduciary (i.e. Trust, Estate, etc.) Account

____________ Social Security Number or Federal Tax Identification number

____________ Telephone Number

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

EXHIBITS TO

APPLICATION FOR APPROVAL OF CONVERSION

Robert B. Greenwalt, Esq.
Attorney at Law
1124 North Rolling Road
Catonsville, Maryland 21228

Telephone 301 - 744-0444

May 1, 1984

Board of Directors
Ridgeway Savings & Loan Association
1124 North Rolling Road
Catonsville, Maryland 21228

RE: Application for Approval of Conversion

Ladies and Gentlemen:

Pursuant to your direction, I have prepared an Application for Approval of Conversion with the assistance of the Executive Vice-President, your accountant, Mr. David Wakely, and Trident Financial Corporation, the appraiser.

Please be advised that it is my opinion that the Application complies in every particular with Maryland law as codified in the Financial Institution Article, sec. 9-601, et. seq., and the Code of Maryland Regulations 09.05.01.21.

Please also be advised that as of this date the appraisal of the Association has not been completed. The appraiser has stated that the appraisal will be completed by May 31, 1984. The Application does not include a quotation of stock prices and other figures dependent upon the appraisal. The submitted Application will be supplemented with those figures when available.

Upon adoption of the Plan at your next meeting, the Application will be submitted to the Director, Division of Savings and Loan Associations.

Very truly yours,

Robert B. Greenwalt

RBG/mlm

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

BOARD OF DIRECTORS:

I hereby consent to the use in this application for Approval of Conversion of our reports dated Februrary 21, 1984, and September 8, 1983, relating to the financial statements of Ridgeway Savings and Loan Association for the six-month period ended January 31, 1984 and the years ended July 31, 1983 and 1982, respectively, appearing in the Offering Circular and Proxy Statement which is part of such Application for Approval of Conversion, and to the implied reference to us under the heading "Experts" in such Offering Circular and Proxy Statement.

David W. Wakeley, CPA

April 19, 1984

TRIDENT FINANCIAL CORPORATION

Appraisers and Consultants

SUITE 670
1700 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006
(202) 737-5363

April 30, 1984

Mr. Robert B. Greenwalt, Esquire
Attorney at Law
114 North Rolling Road
Catonsville, Maryland 21228

Dear Mr. Greenwalt:

We have been retained by Ridgeway Savings and Loan Association of Catonsville, Maryland ("Ridgeway" or the "Association") to determine the pro forma market value of the shares of stock to be sold by the Association in connection with the conversion of the Association to a stock savings and loan association.

Towards this end, we have reviewed a preliminary draft of the Association's Application to be filed with the Division of Savings and Loan Associations of the State of Maryland and also reviewed preliminary drafts of financial statements and other financial information to be included with Ridgeway's Application. We have also conducted an investigation of Ridgeway which has included discussions with the Association's management, with the Association's independent accountant and have also visited the Association's primary market area.

We are currently reviewing the Association's financial statements and other financial information and have requested additional financial data that we feel are necessary for the completion of our independent appraisal. Assuming that such requested data are forthcoming in a timely fashion, we anticipate completing and submitting an appraisal to accompany Ridgeway's Application for Conversion by June 1, 1984.

Yours very truly,

TRIDENT FINANCIAL CORPORATION

Richard G. Marcis

Richard G. Marcis
Senior Vice President

RGM/msa
MA002.11

Robert B. Greenwalt, Esq.
Attorney at Law
1124 North Rolling Road
Catonsville, Maryland 21228

Telephone 301 - 744-0444

May 1, 1984

Board of Directors
Ridgeway Savings & Loan Association
1124 N. Rolling Road
Catonsville, Maryland 21228

RE: Application for Approval of Conversion
Federal and State Tax Opinion

Ladies and Gentlemen:

Pursuant to your request, and in connection with the referenced Application, this letter will serve as my opinion as to Federal and State income tax consequences of the proposed conversion.

After reviewing the application and the relevant provisions of Federal and State law, I am of the opinion that:

(1) Although the conversion will constitute a reorganization, the conversion will have no effect on the federal income tax treatment of the Association with regard to gain or loss to the Association and eligible account holders.

(2) In that the State of Maryland will treat the conversion in like manner as the federal government, no state income tax consequences will result from the conversion.

Very truly yours,

Robert B. Greenwalt

Robert B. Greenwalt

RBG/mlm

TRIDENT FINANCIAL CORPORATION
Appraisers and Consultants
POST OFFICE BOX 2365
NEW BERN, NORTH CAROLINA 28560
(919) 633-5961

September 13, 1983

Board of Directors
Ridgeway Savings and Loan Association
Route 40 & Rolling Road
Catonsville, Maryland 21228

Gentlemen:

This letter sets forth the agreement between Ridgeway Savings and Loan Association (the "Association") and Trident Financial Corporation ("TFC") whereby the Association has engaged TFC to determine the pro forma market value of the shares of common stock which are to be issued and sold by the Association in connection with the conversion of the Association into a stock savings and loan association.

TFC agrees to deliver the valuation, in writing, to the Association at the above address on or before a mutually agreed upon date. Further, TFC agrees to perform such other services as are necessary or required of the appraiser in connection with comments from the staff of The Division of Savings and Loan Associations relating to the appraisal and the preparation of appraisal updates as requested by the Association or its counsel. It is understood that the services of TFC under this agreement shall be limited as hereinabove described.

The Association shall pay to TFC for the initial appraisal valuation report a fee of Seven Thousand Five Hundred Dollars ($7,500) plus a fee of One Thousand Five Hundred Dollars ($1,500) for the final appraisal update. Payment hereunder shall be made as follows:

1. Two Thousand Five Hundred Dollars ($2,500) upon execution of this appraisal letter of agreement.

2. Five Thousand Dollars ($5,000) upon delivery of the initial appraisal report.

3. One Thousand Five Hundred Dollars ($1,500) upon completion of the final appraisal update.

4. Out-of-pocket costs are to be paid as incurred and billed.

Should the Association enter into a merger agreement with another savings and loan association prior to completion of conversion, an additional fee in an amount to be mutually agreed upon by the Association and TFC, shall be paid to TFC upon completion of the appraisal or appraisal update report following the execution of the merger agreement.

To induce TFC to render the services hereinabove described, the Association hereby agrees as follows:

1. The Association shall supply to TFC such information with respect to its business and financial condition as TFC reasonably may request in order to make the aforesaid valuation. Such information heretofore or hereafter supplied or made available to TFC shall include, but not be limited to, annual financial statements, periodic regulatory filings, material agreements, debt instruments and corporate books and records.

2. The Association hereby represents and warrants to TFC that any information provided to TFC does not and will not, at any time relevant hereto, contain any misstatement or untrue statement of a material fact nor omit to state any and all material facts required to be stated therein or necessary to make the statements therein not false or misleading in light of the circumstances under which they were made.

3. (a) The Association shall indemnify and hold harmless TFC and any employees and affiliates of TFC who act for or on behalf of TFC in connection with the services called for under this agreement, from and against any and all loss, cost, damage, claim, liability or expense of any kind, including attorneys fees and other expenses incurred in investigating, preparing to defend and defending any claim or claims (specifically including, but not being limited to, claims under federal securities laws) in any manner arising out of any misstatement or untrue statement of a material fact contained in the information supplied by the Association to TFC or by an omission to state a material fact in the information so provided which is required to be stated therein or necessary in order to make the statement therein not false or misleading.

   (b) TFC shall not be entitled to indemnification pursuant to Paragraph 3(a) above with regard to any claim arising where, with regard to the basis for such claim, TFC had knowledge that a statement of a fact material to the evaluation and contained in the information supplied by the Association was untrue or had knowledge that a material fact was omitted from the information so provided and that such material fact was necessary in order to make the statement made to TFC not false or misleading.

(c) TFC additionally shall not be entitled to indemnification pursuant to Paragraph 3(a) above notwithstanding its lack of actual knowledge on an intentional misstatement or omission of a material fact in the information provided to TFC if its valuation is not based upon a reasonable and careful examination of the business and financial condition of the Association and if such examination would have brought the subject fact or omission to the attention of TFC.

The Association and TFC are not affiliated, and neither the Association nor TFC has an economic interest in, or held in common with, the other and has not derived a significant portion of its gross revenue, receipts or net income for any period from transactions with the other.

In order for Trident Financial Corporation to consider this proposal binding, please acknowledge your consent to the foregoing by executing the enclosed copies of this letter, together with a check payable to Trident Financial Corporation in the amount of $2,500, within 30 days from the date hereof. TFC will then sign and return one copy of the letter to the Association.

Yours very truly,

TRIDENT FINANCIAL CORPORATION

By: Peter C. Kallop
Peter C. Kallop
Senior Vice President

AGREED TO:

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

By [signature]
Pres.

PCK:bwr
B0073.9

DAVID W. WAKELEY
CERTIFIED PUBLIC ACCOUNTANT
9335 OLD SCAGGSVILLE ROAD
LAUREL, MARYLAND 20707
776-7759

Board of Directors
Ridgeway Savings & Loan Association
Baltimore, Maryland

We have examined the statement of financial condition of Ridgeway Savings and Loan Association as of July 31, 1983 and 1982, and the related statements of income, undivided profits and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly the financial position of Ridgeway Savings and Loan Association at July 31, 1983 and 1982, and the results of its operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change with which I concur, in the method of accounting for interest earned on mortgages as described in Note 5 to the financial statements.

D W Wakeley

September 8, 1983

2600

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
STATEMENT OF FINANCIAL CONDITION
July 31, 1983 and 1982

ASSETS

	1983	1982
Cash	$ 997,361	$ 106,207
Loans receivable (Note 2)	6,560,590	5,756,238
Office properties & equipment, at cost, less accumulated depreciation of $57,399 1983 and $46,491 1982 (Note 1)	150,232	157,459
Deposits with Maryland Savings Share Insurance Corp. (Note 3)	166,500	153,300
Ground rents owned	7,583	7,583
Prepaid expenses & other assets	5,985	3,878
Recoverable income taxes	35,032	17,970
	$7,923,283	$6,202,635

LIABILITIES AND UNDIVIDED PROFITS

	1983	1982
Liabilities:		
Savings Accounts (Note 3)	$7,593,132	$5,861,643
Notes payable	100	100
Advances by borrowers for taxes & insurance	148,920	98,114
Accounts payable & accrued expenses	4,283	1,725
	7,746,435	5,961,582
Undivided Profits: (Note 4)		
Appropriated to General Reserves	308,533	308,533
Unappropriated	(131,685)	(67,480)
	176,848	241,053
	$7,923,283	$6,202,635

See Notes to Financial Statements.

2601

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
STATEMENT OF OPERATIONS
For the years ended July 31, 1983 and 1982

	1983	1982
Income:		
Interest on loans	693,356	605,334
Loan fees	14,158	8,163
Interest on investments	52,270	21,067
Gain on sale of real estate	4,091	
Other	5,079	3,959
	768,954	638,523
Expenses:		
Interest on savings accounts	706,242	572,874
Interest on advances and borrowed money	13	21,155
General and administrative expenses	144,904	122,661
	851,159	716,690
Loss before recovery of federal income taxes	(82,205)	(78,167)
Recovery of income taxes	18,000	12,522
Net loss	$ 64,205	$ 65,645

See Notes to Financial Statements.

2602

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
STATEMENT OF RESERVES AND UNDIVIDED PROFITS
For the years ended July 31, 1983 and 1982

	1983	1982
Appropriated to General Reserves:		
Balance beginning of year	$308,533	$308,533
Balance end of year	308,533	308,533
Unappropriated:		
Balance beginning of year	(67,480)	(1,835)
Allocationg of net (loss)	(64,205)	(65,645)
Balance end of year	(131,685)	(67,480)
Total reserves and undivided profits	$176,848	$241,053

See Notes to Financial Statements.

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the years ended July 31, 1983 and 1982

	1983	1982
Funds were obtained from:		
Operations:		
Net income (loss)	$ (64,205)	$(65,645)
Add:		
Depreciation & other items	11,083	10,894
Total from operations	(53,122)	(54,751)
Net increase in accounts payable	2,558	866
Net increase in savings accounts	1,731,489	648,975
Decrease in prepaid expense		1,273
Increase in advances by borrowers	50,806	6,443
	$1,731,731	$602,806
Funds were used for:		
Increase in cash	$ 891,154	$ 72,648
Net increase in loans	804,352	326,295
MSSIC deposits	13,200	17,900
Properties and equipment	3,856	1,291
Repayment of notes		175,000
Increase in prepaid expense	2,107	
Increase in recoverable income taxes	17,062	9,672
	$1,731,731	$602,806

2604

See Notes to Financial Statements

RIDGEWAY SAVINGS AND LOAN ASSOCIATION
July 31, 1983 and 1982

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies.

Accounting Method. The Association accounts for its income and expenses on the accrual basis of accounting.

Depreciation. The Association computes depreciation on the straight-line method for financial reporting and federal income tax purposes. The estimated useful lives used to compute depreciation is - buildings, 30 years; equipment, 5-15 years.

2. Loans Receivable. Loans receivable at July 31, 1983 and 1982, consisted of the following:

	1983	1982
First mortgage loans	$5,606,617	$4,718,442
Insured loans	857,974	948,030
Loans to depositors, secured by savings	95,999	89,766
	$6,560,590	$5,756,238

3. Savings Account Analysis.

Balances by interest rate	1983	1982
Passbooks 6 - 7½%	$2,247,462	$2,306,824
Certificates:		
Variable - more than 8%	5,271,903	3,025,057
All-Savers and IRA's	73,767	529,762
	$7,593,132	$5,861,643

4. Undivided Profits. In connection with the insurance of savings accounts, the Association is required to maintain a reserve. The reserve which aggregated $308,533 at July 31, 1983, is not a valuation allowance and has not been charged against earnings. It represents a restriction in the undivided profits of the Association.

The Association is allowed a special bad debt deduction limited generally in the current year to 40% of otherwise taxable income and subject to certain limitations based on aggregate loans and savings account balances at the end of the fiscal year. If the amounts that qualify as deductions for federal income purposes are later used for purposes other than for bad debt losses, they will be subject to federal income tax at the then current corporate rate. Undivided profits at July 31, 1983, include $120,757 for which federal income tax has not been provided.

NOTES TO FINANCIAL STATEMENTS

5. Change in Accounting Principle. The Association changed from the cash basis of accounting for interest income on mortgage loans and investments, to the accrual basis of accounting, effective for the fiscal year ended July 31, 1983. The prior year has been restated to give effect to this change.

The effect of this change has been to increase income for 1983, $20,761 and 1982, $18,579.

2606

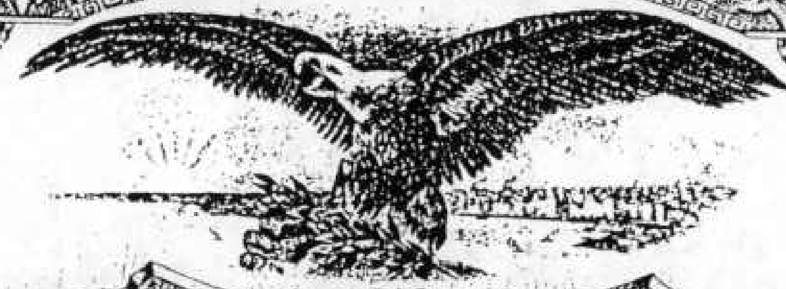
RIDGEWAY SAVINGS & LOAN ASSOCIATION
GENERAL AND ADMINISTRATIVE EXPENSES
Years Ended July 31, 1983 and 1982

	1983	1982
Advertising and promotion	$ 11,394	$ 7,367
Professional fees	7,057	3,594
Depreciation	11,083	10,894
Auto and travel	2,951	2,317
Operating expense	20,890	20,690
Insurance	2,725	2,815
Stationery and postage	4,520	4,441
Salaries	56,032	53,338
Repairs and maintenance	5,562	3,465
Taxes other than income	12,003	10,444
Director's fees	7,850	700
Other	2,837	2,596
	$144,904	$122,661

2608

NUMBER

SHARES



Ridgeway Savings and Loan Association

Incorporated under the laws of the State of Maryland

This Certifies that ____________________________________ is the owner of __________________________________ Shares of the Capital Stock of

Ridgeway Savings and Loan Association

This certificate is transferable only on the books of the Association upon the surrender of the same property endorsed.

The interest in said Association represented by this Certificate may not be retired or withdrawn except as provided under Maryland law and the Articles of Incorporation and By-Laws of this Association. Such interest is not of an insurable type and is not insured by the Maryland Savings-Share Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

IN WITNESS WHEREOF, RIDGEWAY SAVINGS AND LOAN ASSOCIATION has caused this Certificate to be executed by its duly authorized officers and has caused its seal to be hereunto affixed this ________ day of ________________, 19 ______

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

By ______________________________

President

RIDGEWAY SAVINGS AND LOAN
ASSOCIATION

Catonsville, Maryland

APPRAISAL REPORT

Valued as of May 16, 1984

TRIDENT

IIIG12

2609

DEPT. OF LIC. & REG.
DIV OF SAV & LOAN ASSNS.

JUN 18 1984

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

Catonsville, Maryland

APPRAISAL REPORT

Valued as of May 16, 1984

TRIDENT FINANCIAL CORPORATION
Suite 670
1700 Pennsylvania Avenue, NW
Washington, D.C. 20006

KH0028.CC

TRIDENT FINANCIAL CORPORATION
Appraisers and Consultants
SUITE 670
1700 PENNSYLVANIA AVENUE, N.W.
WASHINGTON, D.C. 20006
(202) 737-5353

June 5, 1984

Board of Directors
Ridgeway Savings and Loan Association
1124 North Rolling Road
Catonsville, Maryland 21228

Gentlemen:

At your request, we hereby provide an independent appraisal of the pro forma market value of the common stock of Ridgeway Savings and Loan Association of Catonsville, Maryland ("Ridgeway" or the "Association"). The stock will be distributed in connection with the Association's conversion from mutual to the stock form of organization. This appraisal was prepared and is to be furnished pursuant to the requirements of the applicable laws of the State of Maryland and the rules and regulations of the Division of Savings and Loan Associations of the State of Maryland.

Trident Financial Corporation ("TFC") is a financial consulting firm that specializes in financial valuations and analyses of business enterprises, securities and real estate. TFC has completed and received applicable regulatory approval for a number of previous appraisals for savings and loan associations in connection with their plans to convert from mutual to stock associations. We believe that, for purposes of this appraisal, we are independent of Ridgeway.

In the process of our appraisal, we have conducted an investigation of the Association which has included discussions with management and with the Association's independent auditor, and the Association's local conversion counsel. Nothing has come to our attention in the course of our appraisal which would lead us to believe that the Application for Conversion contains any misstatement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

Our appraisal is based on the Association's representation to us of the truth, accuracy and completeness of the information contained in the Application for Conversion and any additional evidence furnished to us by the Association. In addition, we have, where appropriate, also considered information based on other published sources available to us, which we believe to be reliable, but we cannot guarantee the accuracy or completeness of such information. In making our evaluation we have reviewed among other things, the economy in Ridgeway's primary market area and have compared the Association's performance with that of selected segments of the savings and loan industry; particularly certain publicly-held and recently converted companies. We have reviewed conditions in the securities markets in general and in the markets for savings and loan shares in particular. We have also considered the expected market for the Association's shares after conversion.

It is our opinion that as of May 16, 1984 the pro forma market value of Ridgeway's to-be-outstanding shares was $325,000 or $10.00 per share based upon 32,500 shares. The recommended range of value is $276,250 to $373,750.

Yours very truly,

TRIDENT FINANCIAL CORPORATION

Richard G. Marcis

Richard G, Marcis
Senior Vice President

RGM/msa

MA004.Q

RIDGEWAY SAVINGS AND LOAN ASSOCIATION, INC.

Catonsville, Maryland

APPRAISAL REPORT

Valued as of May 16, 1984

Prepared by:

TRIDENT FINANCIAL CORPORATION

Richard G. Marcis, Senior Vice President

Suite 670
1700 Pennsylvania Avenue, NW
Washington, DC 20006
202/737-5353

Robert P. Muir, Vice President

2407 Grace Avenue
Post Office Box 2365
New Bern, North Carolina 28560
919/633-5981

Table of Contents

Index to Tables

MA004.Q-25

INTRODUCTION

We have set forth herein, Trident Financial Corporation's independent appraisal of the estimated aggregate pro forma market value of the stock of Ridgeway Savings and Loan Association ("Ridgeway" or the "Association") to be sold pursuant to Ridgeway's Application for Approval of Conversion ("Application") to be filed with the State of Maryland Division of Savings and Loan Associations which has been reviewed by us and discussed with the Association's management and with Robert B. Greenwalt, Esquire, the Association's local conversion counsel and is included herein by reference. Pro forma market value is defined as the price at which the Association's stock after conversion would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts. In making our appraisal we have reviewed and discussed with Ridgeway's management and with David B. Wakely, the Association's independent auditor, the audited statements of financial conditions and statements of operations for the two years ended July 31, 1983, the unaudited financial statements as of January 31, 1984 and other financial matters.

We have visited the primary market area of the Association and have examined prevailing economic conditions and compared them with the national economy. We have also investigated the competitive environment within which the Association operates and have assessed the Association's relative strengths and weaknesses. We have also examined and compared the Association's relative performance with selected segments of the thrift industry and selected publicly-held recently converted thrift companies. We have reviewed conditions for the securities markets in general and the market for thrift industry stocks in particular.

Also where appropriate, we have considered information based upon other public sources available to us which we believe to be reliable, although we cannot guarantee the accuracy or completeness of such information. The valuation will be updated as provided for in the conversion regulations and guidelines. These updates will consider, among other things, any new developments or changes in the Association's financial performance and conditions, management policies and current conditions in the equity markets for thrift institutions shares. Should any such new developments or changes be material, in our opinion, to the valuation of the Association's shares, appropriate adjustments to the estimated pro forma market value will be made.

Our valuation was primarily based on financial information relating to the Association and the economic environment in which the Association operations, a comparison of the Association with selected publicly-held, recently converted savings and loan associations, and such other factors as we deem to be important. It is not intended and must not be construed to be a recommendation of any kind as to the advisability of purchasing the to-be-outstanding shares of the common stock of the Association. Moreover, because such valuation is necessarily based upon a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock in the conversion will thereafter be able to sell such shares at prices related to the foregoing valuation of the pro forma market value thereof.

MA004.Q-6

Also where appropriate, we have considered information based upon other public sources available to us which we believe to be reliable, although we cannot guarantee the accuracy or completeness of such information. The valuation will be updated as provided for in the conversion regulations and guidelines. These updates will consider, among other things, any new developments or changes in the Association's financial performance and conditions, management policies and current conditions in the equity markets for thrift institutions shares. Should any such new developments or changes be material, in our opinion, to the valuation of the Association's shares, appropriate adjustments to the estimated pro forma market value will be made.

Our valuation was primarily based on financial information relating to the Association and the economic environment in which the Association operations, a comparison of the Association with selected publicly-held, recently converted savings and loan associations, and such other factors as we deem to be important. It is not intended and must not be construed to be a recommendation of any kind as to the advisability of purchasing the to-be-outstanding shares of the common stock of the Association. Moreover, because such valuation is necessarily based upon a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of common stock in the conversion will thereafter be able to sell such shares at prices related to the foregoing valuation of the pro forma market value thereof.

1. OVERVIEW OF RIDGEWAY SAVINGS AND LOAN ASSOCIATION, INC.

Overview

Ridgeway Savings and Loan Association ("Ridgeway" or the "Association") was chartered by the State of Maryland in 1955 and its savings accounts have been insured by the Maryland Savings Share Insurance Corporation ("MSSIC") since 1961. As a state-chartered and MSSIC-insured savings and loan association, the Association is subject to comprehensive examination, regulation and supervision by both the MSSIC and the Division of Savings and Loan Associations of the State of Maryland. The insurance of accounts by the MSSIC permits the Association to more effectively compete for funds in its primary market area.

The primary business of the Association has consisted of attracting savings deposits from the general public and investing such funds in mortgage loans on residential, and to a lesser extent, commercial real estate properties in the Association's primary market area of Catonsville, Ellicott City and Baltimore City, Maryland, in particular, and in Baltimore and Howard Counties, in general. The Association also makes loans secured by properties in the neighboring counties of Carroll, Anne Arundel and Hartford and in Worcester County. Funds have been generated mainly from savings deposits, retained earnings and the amortization and prepayment of mortgage loans.

Table 1 sets forth certain financial information concerning the Association over the period July 31, 1979 through January 31, 1984.

As is indicated, the Association's assets have increased continuously over the July 31, 1979 - January 31, 1984 interval, increasing from \$5.4 million to \$8.1 million, respectively, an increase of 50%.

Table 1
Selected Financi haracteristics

	At July 31,					At January 31,
	1979	1980	1981	1982	1983	1984
Total Loans Outstanding	4,786,635	5,218,871	5,327,641	5,646,637	6,428,252	6,563,942
Total Assets	5,404,735	5,717,068	5,756,058	6,184,222	7,940,182	8,090,450
Total Savings	5,050,506	5,257,566	5,212,669	5,861,643	7,593,132	7,841,731
Total Borrowings	1,000	100	175,100	100	100	100
Total Net Worth	279,559	315,250	305,759	223,316	173,138	169,221
No. of Real Estate Loans	—	232	257	245	252	264
No. of Savings Accounts	—	1,527	1,350	1,580	900	1,250
No. of Offices	2	2	2	2	2	2

Source: Preliminary draft of Association's Subscription Offering Circular

2620

The behavior of the Association's savings base has followed a generally similar pattern to that of its assets base in the July 31, 1979 - January 31, 1984 interval. As is indicated in Table 1, total savings accounts of the Association have increased from $5.1 million to $7.8 million, respectively, an increase of 52.9%. FY 1981 was the only year in the FY 1979 - FY 1983 period in which total savings of the Association did not increase relative to the year previous.

The volume of total loans outstanding has increased continuously over the July 31, 1979 - January 31, 1984 interval. As is indicated in Table 1, total loans outstanding have increased from $4.8 million at July 31, 1979 to $6.6 million at January 31, 1984. The number of real estate loans outstanding have increased from 232 at July 31, 1979 to 264 at January 31, 1984.

The Association has had minimal reliance on borrowed funds to supplement internal sources of funds. The largest volume of borrowings outstanding over the FY 1979 - FY 1983 period was $175,100 at July 31, 1981. As of January 31, 1984 the Association has outstanding loans of $100.

The net worth of the Association has declined continuously and sharply over the July 31, 1979 - January 31, 1984 interval due to losses incurred by the Association as costs of its interest bearing liabilities exceeded yields on its interest earning assets. As of January 31, 1984, the net worth of the Association totalled $178,000, approximately 39% below its level at July 31, 1979. As of January 31, 1984, the Association's net worth was approximately 2.27% of its total savings deposits. Nonetheless, the Association, as of its last annual closing date (July 31, 1983), was meeting both its regulatory reserve requirements and its minimum net worth requirements. However, there is the risk that should operating losses of recent years continue in the future, the Association will be unable to meet either its regulatory serve requirements or its minimum net worth requirements. However, the capital infusion provided by the conversion from mutual to stock form of organization should immediately provide the Association with much-needed capital to bolster its reserve base.

Table 2 presents a summary of the Association's statements of operations for the period July 31, 1979 through January 31, 1984. As is indicated in Table 2, Ridgeway, like other savings and loan associations generally, has been negatively impacted by the high levels of interest rates generally prevailing over the 1979-1982 period. Reflecting the increased cost of funds, the Association's interest expenses increased by 140.4% over this period, increasing from $293,822 in FY 1979 to $706,255 in FY 1983. However, interest expenses in the first six months of FY 1984 at annual rates were up only modestly from interest expenses registered in FY 1983.

Total interest income of Ridgeway increased from $434,990 in FY 1979 to $745,626 in FY 1983, an increase of 71.4%. Total interest income of Ridgeway in the first six months of FY 1984 would, at annual rates, be 13.5% higher than in FY 1983.

However, interest expenses of the Association have increased at a faster rate than interest income in recent years. Consequently, the net interest income of the Association has declined continuously over the FY 1979 - FY 1982 period. With the general improvement in market rates of interest that has occurred since late 1982, the net interest income of the Association increased from $32,373 in FY 1982 to $39,371 in FY 1983. Net interest income has continued to improve through the first six months of FY 1984.

General administrative expenses of the Association have increased from $84,189 in FY 1979 to $144,904 in FY 1983 and $134,364 (at annual rates) in the first six months of FY 1984.

Table 2
Summary of Statement Operations

	YEAR ENDING JULY 31,					6 months ended January 31,
	1979	1980	1981	1982	1983	1984
Interest on Loans	425,085	498,116	540,549	605,334	693,356	388,243
Interest on Investments	9,905	13,350	6,163	21,067	52,270	34,840
Interest Expense	293,822	379,668	477,948	594,029	706,255	354,746
Net Interest Income	141,168	131,798	68,764	32,372	39,371	68,337
Loan Fees & Service Chgs	4,664	5,507	6,832	8,163	14,158	12,320
Other Income	3,585	4,648	4,488	3,959	9,170	4,047
General Admin Expenses	84,189	95,798	104,848	122,661	144,904	67,182
Income Taxes	10,636	10,557	(5,448)	(12,522)	(18,000)	-----
NET INCOME (LOSS)	54,592	35,598	(19,316)	(65,645)	(64,205)	17,522

Source: Preliminary Draft of Association's Subscription Offering Circular

2623

Reflecting these considerations, the net income of the Association has consistently declined over the FY 1979 - FY 1983 period. The Association experienced losses for the three years in the FY 1981 - FY 1983 period. The Association's losses in FY 1982 amounted to ($65,645). While the Association's relative income position improved in FY 1983, the improvement was very modest as the Association continued to experience losses which amounted to ($64,205) in that year.

The Association, however, has experienced a return to profitability in the first six months of FY 1984. The improvement in the Association's operating results in the first six months of FY 1984 reflect not only a reduction in dividend payments but also an increase in total interest income from both loans and investments.

Lending Activities

Table 3 depicts the composition of Ridgeway's loan portfolio by type of loan as of January 31, 1984. As of that date, Ridgeway's total loans outstanding amounted to $6,563,942, accounting for 81.1% of the Association's total assets.

The Association, like most other savings and loan associations, has historically concentrated its lending activities on first mortgage loans secured by residential property. As of January 31, 1984, loans on residential owner-occupied properties totalled $4.4 million, or 67% of Ridgeway's total loan portfolio. While the Association makes some amount of 5 year renegotiable first mortgage loans, the vast majority of the Association's loans are 20 to 25 year fixed rate mortgages. The Association does not now offer variable rate or adjustable rate mortgages, although it intends to do so in the future. Ridgeway also does some limited amount of commercial real estate lending. As of January 31, 1984, Ridgeway had $1.6 million in commercial loans outstanding.

Table 3

Composition of Loan Portfolio

	Dollar Amount	Percent
Residential owner occupied	$ 4,375,925	67%
Commericial Non-owner occupied	1,600,478	24%
Second Mortgages	285,207	4%
Construction Loans	194,949	3%
Loans on Land	107,383	2%
	$ 6,563,942	100%

Source: Preliminary Draft of Association's Subscription Offering Circular

2625

Ridgeway's commercial loans are typically secured by real estate located primarily in the Greater Baltimore area and includes office buildings, retail stores and other selected commercial real estate. Construction loans, exclusively for construction of residential properties, account for 3% of the Association's loan portfolio.

The Association has not purchased nor sold loans in the secondary mortgage market. The Association also does not service any loans for others.

Investment Activities

Ridgeway carries a substantial investment portfolio. As of January 31, 1984, Ridgeway had $907,434 or 11.2% of its assets in portfolio investments.

As is indicated in Table 4, approximately half of the Association's investments are in federal funds with deposits in MSSIC or FSLIC insured institutions accounting for approximately one-third of the investment portfolio. A Federal Home Loan Mortgage Corporation P.C. for $40,649 accounts for the rest of the Association's investment portfolio. The weighted average rate on the Association's investment portfolio as of January 31, 1984 was 9.95%.

Deposit Activities

Ridgeway offers a number of programs for the solicitation of savings deposits from the general public. The Association, however, does not currently offer transactions accounts such as NOW accounts on Money Market Deposit Accounts. While savings activity at Ridgeway has generally increased over FY 1979 - FY 1983, the number of savings accounts has declined over this interval, from 1527 at July 31, 1980 to 1250 at January 31, 1984. The decline in number of savings accounts and the increase in total savings deposits indicates an increase in the average size deposit balance at the Association.

As is indicated in Table 5, the Association's savings deposit programs are limited primarily to regular passbook accounts and fixed-rate, fixed-term

Table 4

Investment Portfolio
January 31, 1984

Institution	Type	Cost	Face Value	Rate
Maryland Capital S. & L.	Liquid Asset	NA	$174,737.12	11%
Eastern S. & L.	Liquid Asset	NA	57,495.44	9%
Fairfax S. & L.	Liquid Asset	NA	102,552.38	10.7%
Federal Funds°	Liquid Asset	NA	425,000.00	9.3%
State S. & L.	C.D.*	NA	107,000.00	10.5%
Freddie Mac	Government Security	40,649.61	51,695.73	10.1%
TOTAL		$40,649.61	$918,480.07	9.95% (weighted-average)

Source: Preliminary Draft of Association's Subscription Offering Circular

2627

Table 5
Distribution of Savings Deposits

	January 31,				January 31	
	1982		1983		1984	
pe of Account	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate
ee Share	$1,338,528	6.00%	$1,069,886	6.00%	$ 952,561	6.00%
lden Passbook	968,296	7.50%	1,177,576	7.50%	1,107,333	7.50%
rtificates with ntractural turities of:						
90 days	168,793	7.9 - 13.2%	——		——	
180 days	1,649,404	9.5 - 12%	623,793	9.5 - 16%	472,346	8.6-9.5%
1 yr All Savers	516,361	7.1 - 12.6%	44,426	7.5 - 12.6%	——	
1 year	——		——			
30 months	801,336	9.5 - 16.5%	739,038	9.5 - 16.5%	743,965	9.5-16.5
	13,400	9.5 - 14%	24,543	9.5 - 14$	28,185	9.5 - 14
ristmas Club	5,532	6¢	4,797	6%	1,792	6%
mbo Accounts	400,000	10.5 - 12%	900,000	9.5 - 12%	1,205,500	10 - 12%
iquid Asset	——		3,009,073	9.5 - 12%	2,572,238	9.5 - 10
	$5,861,652		$7,593,132		$7,841,731	

Source: Preliminary Draft of Association's Subscription Offering Circular

2628

certificate accounts of varying maturities ranging from 90 days to 30 months. The Association has approximately $2.1 million in passbook accounts (or 26.8% of the Association's total deposits) which pay either 6% or 7½% (for accounts with a $500 minimum balance). The interest rate paid on various savings certificates ranges from 9.5% on 6-months CD's to 11.0% on one-year CD's. The Association's most popular account is its Liquid Asset Account which paid 9.%5 at January 31, 1984. The Association had $2,572,238 in its Liquid Asset Accounts as of January 31, 1984. The Association currently offers an IRA account with rates tied to 30-month CD's. The Association has at particular time utilized premiums and "give-away" programs in attracting savings accounts from customers.

As is indicated in Table 5, the majority of the Association's savings deposits are in Liquid Asset Accounts where withdrawals are limited to 3 withdrawals in excess of $500 per month. These account for 32.8% of the Association's total deposit base. The passbook accounts are the second most important savings account, accounting for 26.8% of the Association's total deposit base. Management has indicated that it does not currently hold any jumbo (i.e., deposits over $100,000) accounts. As of January 31, 1984, approximately 26% of the Association's deposit base was in fixed-rate accounts while approximately 74% of its savings base was in market rate accounts.

Yield and Costs

Table 6 sets forth information for the Association with respect to yield on earnings assets and rates paid on funds for the period from August 31, 1983 through January 31, 1984.

As is indicated on January 31, 1984, Ridgeway's average yield on mortgage loans and investments of 10.98% exceeded the average cost of its funds of 9.49% by 1.47%.

MA004.Q-12

Table 6
Yields and Costs

	1983		and		1984	
	AUG	SEPT	OCT	NOV	DEC	JAN
Weighted-average yield on mortgage loans and investments	9.53	13.86	11.56	11.4	11.97	10.98
Total weighted-average rate paid on all interest bearing liabilities for the period	9.15	9.1	9.33	9.48	9.44	9.49
Net Margain(spread between - weighted-average yield on all interest earning assets and total weighted-average rate paid on all interest bearing liabilities for the period	.38	4.76	2.23	1.92	2.53	1.47

II. PUBLICLY-HELD SAVINGS AND LOAN COMPANY COMPARISONS

Selection of the Comparable Group

The best method of appraising Ridgeway is by comparison with actively-traded public companies in the savings and loan industry after adjusting for various differences in size, market area, financial strength, interest rate sensitivity, operating characteristics and other considerations. Exhibits III and IV present certain key financial and market statistics for the savings and loan companies listed on the major stock exchanges and all companies traded on over-the-counter markets on the NASDAQ (National Association of Securities Dealers Automated Quotation) system. The analysis of publicly-held savings and loans in this report is limited to associations listed on the major stock exchanges or that meet the minimum number of shareholders, rketmakers and trading volume requirements necessary to qualify for daily uotation on NASDAQ. This limitation is necessary because the publicly-held shares that do not meet these requirements often do not accurately reflect market values due to their limited trading volume, relatively small number of non-control shareholders, low total market value and other factors.

Table 7 presents average market price to book value and market price to net assets ratios and average dividend yields for these companies as of May 16, 1984.

Table 7
Market Data for Publicly-Held S&L Shares
May 16, 1984

Where Traded	Adjusted P/E Ratio	Market Price to Book Value	Market Price to Net Assets	Dividend Yield*
All Savings and Loans	5.48%	57.37%	3.04%	2.91%
New York Stock Exchange	9.15	75.87	2.84	4.57
nerican Stock Exchange	4.32	88.68	2.30	3.48
ver-the-Counter	5.54	54.08	3.07	1.79

* Companies paying dividends

As a further refinement of our analysis of the publicly-held companies, a group of public companies has been selected that, in our opinion, appropriately illustrate relative market price levels as they relate to Ridgeway.

The comparative public group ("Comparative Group" or "Public Group") selected is a subset of the actively-traded, publicly-held savings and loan companies as listed on the over-the-counter market. They were selected on the basis of the following criteria. First, an asset size limitation has been imposed. Savings and loans of substantially differing sizes have considerably different operating characteristics due to the variance in resources available to them. Since there are a number of smaller publicly-traded associations available for comparative purposes, we have limited the choice of associations for inclusion in the Comparative Group to those with asset sizes under $500 million so as to minimize the adjustment attributable to size differences between the Comparative Group and the Association. With the exception of First Federal Savings and Loan of Charleston, a $520.8 million association in South Carolina, all associations in the Comparative Group are in the $190 million to $360 million range.

Second, all companies whose market prices are being primarily influenced by publicly announces mergers or potential mergers have been eliminated. Also, companies that are experiencing unusual market and operating conditions have also been eliminated.

Third, since the general consensus that the the market tends to differentiate between California, Florida, Nevada and Texas associations and thrifts in other states. None of the public associations selected for inclusion in the comparative group are from California, Florida, Texas or Nevada. On the other hand, a deliberate effort was made to select associations from mid-western and eastern states. Hence the Comparative Group selected includes associations from states such as North Carolina, South Carolina, Virginia, Pennsylvania and Wisconsin with one association from Colorado.

Once these restrictions are imposed on the universe of all publicly-held companies with actively traded markets for their common stocks, the number of savings and loan associations available as comparables declines to essentially 9 associations. The 9 associations selected are indicated in Table 8.

Table 8
Comparative Group Savings and Loans

Name of Institution	State	Assets ($000)
Central Pennsylvania Savings	Pennsylvania	220,455
Community Shares, Ltd.	Wisconsin	197,181
First Federal S&L of Charleston	South Carolina	520,840
First Federal - Roanoke	Virginia	363,065
First Federal Savings - Raleigh	North Carolina	274,453
First Financial Corporation	Wisconsin	353,124
First Northern S&L Association	Wisconsin	218,357
Home Federal of the Rockies	Colorado	203,707
Virginia First Savings	Virginia	284,583
Public Group - 9 Companies		292,862
Ridgeway Savings	Maryland	7,923

The Comparative Group selected is not represented as being directly "comparable" to Ridgeway since this is clearly not the case if for no other reason than the significant differences in asset sizes that still exist between the Comparative Group associations and Ridgeway. However, it is comprised of a representative group of public companies that appropriately illustrate current relative industry market price levels. Conversely, the group does exclude those companies that clearly should be omitted, such as associations with market prices that are based primarily on proposed merger terms or subject to unusual market conditions or operating characteristics that differ substantially from those of Ridgeway. Thus, the group provides a more appropriate and useful basis for comparison with Ridgeway that the indiscriminate use of all publicly-traded savings and loans.

Exhibit V presents certain financial ratios and market data for the individual associations comprising the Comparative Group as of May 16, 1984, while Exhibit VI presents summary financial ratios and market data for the Comparative Group.

Financial Comparisons

Table 9 compares several measures of financial condition for Ridgeway with the relevant averages for the Comparative Group.

Table 9
Comparative Financial Condition
(For Latest Fiscal Year)

	Ridgeway	Comparative Group
Net Worth/Savings	2.27%	7.24%
Borrowed Funds/Savings	0.0	8.05
Cash & Investment Securities/ Savings	14.40	10.78
Scheduled Items/Assets	0.0	1.48
Operating Expenses/Assets	2.05%	1.76%

As indicated, Ridgeway's net worth to deposits ratio of 2.27% is considerably below the average for the Comparative Group of 7.24%. Ridgeway also carries a substantially higher level of liquidity than does the Comparative Group on average. At 14.4% of total deposits, Ridgeway's cash and investments are 3.62 percentage points above the average for the Comparative Group.

Since Ridgeway has virtually no debt outstanding, its debt situation stands in sharp contrast to the Comparative Group which indicates an average debt to deposit ratio of 8.05%. Also, since Ridgeway currently has no scheduled items or slow loans on its books, its non-earning asset position is substantially different than the 1.48% ratio of scheduled items to assets for the Comparative Group associations.

As is indicated in Table 9, Ridgeway's operating expenses to average assets ratio is also higher than for the average of the Comparative Group, essentially reflecting the assets size differences between Ridgeway and the Comparative Group associations, where larger size enable them to realize some economics from operations.

Table 10 compares several measures of costs and yields for Ridgeway with the relevant averages for the Comparative Group. As is indicated, Ridgeway's return on loans and investments of 10.98% is .03 percentage points below the average for the Comparative Group. However, Ridgeway's average cost of funds of 9.49% is .79% below the average for the Comparative Group. Consequently, Ridgeway's yield-cost spread of 1.47% is .59% greater than the average for the Comparative Group.

Table 10
Comparison of Costs and Yields
(For Latest Fiscal Year)

	Ridgeway	Comparative Group
Cost of Funds	9.49%	10.28%
Yield on Earning Assets	10.98	11.01
Yield-Cost Spread	1.47	0.88

Table 11 presents several measures of profitability for Ridgeway relative to the Comparative Group average:

Table 11
Profitability Measures (Adjusted)

	Ridgeway	Comparative Group
Return on Average Assets:		
Last 3 years	(.78%)	(.07%)
Last 12 months	.03	.42
Last Quarter Annualized	.45%	.41%
Return on Average Net Worth:		
Last 3 Years	(20.29%)	(1.31%)
Last 12 months	1.13	6.74
Last Quarter Annualized	19.73%	6.94%

As is indicated, both Ridgeway and the Comparative Group, on average, experienced losses over the last 3 years. However, Ridgeway's average loss over the past 3 years has been substantially above the average for the Comparative Group, both relative to average assets and net worth.

While Ridgeway has experienced a return to profitability over the past 12 months, its relative profit performance is below the average for the Comparative Group over this period. As is indicated in Table 11, Ridgeway's adjusted ROA (return on average assets) of .03% is .39 percentage points below the average for the Comparative Group. As a percent of average net worth, Ridgeway's adjusted profitability over the last 12 months has also been below that of the average for the Comparative Group - 1.13% versus. 6.74%.

However, over the last quarter, Ridgeway's net income has exceeded the average for the Comparative Group both as a percent of average assets and average net worth. Annualizing the profitability statistics for the last quarter results in an adjusted ROA for Ridgeway of .45% versus .41% for the Comparative Group and a return on average net worth of 19.73% for Ridgeway versus 6.94% for the Comparative Group average.

Overview-Valuation Adjustments

The absence of any scheduled items and real estate owned are clearly strong positives in the overall valuation of the Association as is Ridgeway's low cost of funds relative to the Comparative Group. On the other hand, there are also some strong negative considerations which have to be taken into account in the valuation of Ridgeway.

The most important factor in determining the proper valuation adjustments between Ridgeway and the comparative companies is the evaluation of the Association's relative future earnings prospects. It is important not only to evaluate the expected levels and growth potential of future earnings for the

Association compared to the public companies, but also the relative interest rate sensitivity and stability of earnings. The Association has a considerable interest rate risk exposure because of its primary dependence on the traditional long-term, fixed-rate mortgage instrument. Apart from its portfolio of short-term investments, there is little, if any, interest rate sensitivity to the Ridgeway's assets. On the other hand, the relatively high percentage of short-term deposits held by the Association also means that Ridgeway's liabilities are extremely interest rate sensitive.

Thus, Ridgeway's current profitability from operations is extremely vulnerable to rising interest rates. Given the maturity mismatch of the Association's assets and liabilities, the Association could easily experience negative earnings again were the structure of interest rates to rise in the financial markets. However, given the erosion in net worth resulting from the losses incurred in recent years, the Association's ability to withstand another period of high interest rates is extremely limited. The capital infusion provided by the conversion from mutual-to-stock form will provide some additional "staying power" for Ridgeway, but it is not, in and of itself, the solution to the question of the long-run viability of the Association in the volatile financial markets of today. Rather, the capital infusion will provide the Association with time which Ridgeway can utilize to restructure its assets and liabilities so as to reduce its interest rate risks, increase its sources of non-interest income and reduce its costs of operation.

Because of Ridgeway's considerable interest rate risk exposure, a negative adjustment relative to the Comparative Group is warranted.

III. VALUATION METHODS

In our opinion, the preferred method of valuing thrift equities is the price-earnings ratio (capitalization of earnings) approach because this method appears most appropriate for the valuation of equity investments where going concern value exceed liquidation value. When both the institution being valued and the comparable companies are experiencing "normal" earnings, then a price-earnings approach is the most direct and appropriate method of valuation.

However, when historic earnings are low and/or negative and the near-term future earnings outlook uncertain, the price/earnings approach is not appropriate and other methods of valuation that are less sensitive to earnings levels must be pursued. Therefore, two additional measure have been utilized in determining the pro forma market value of Ridgeway's shares: market price to book value and market price to net assets.

Price/Earnings Ratio (Capitalization of Earnings) Method

In the determination of the market value of most business enterprises for equity offerings, including thrifts, the most commonly used earnings base for valuation purposes is the most recently available trailing twelve months earnings, often after adjustments for highly volatile or nonrecurring items. However, due to the recent unfavorable economic conditions and operating environment for thrifts, in our opinion, this earnings base is generally not always appropriate for appraisal purposes. In today's market, the appraiser must make modifications to the thrift's earnings base to reflect an evaluation of the future profit potential of the thrift. These modifications should be based upon historic earnings levels achieved by the thrift, historic profitability of other thrifts, current financial condition, management quality and depth and other measures in order to assess the future profit potential of the thrift under more normal operating conditions.

Exhibit III presents, among other financial information, the returns on average net assets for all publicly-traded thrifts which have converted in the past five years. Exhibit VIII presents returns on average net assets and average net assets (utilizing both adjusted and reported net income) for each of the institutions comprising the Comparative Group for various time intervals over the 1979-1983 period.

Since Ridgeway has only begun to experience positive net income from operations, it is appropriate to utilize the Association's projected earnings for FY 1984 in calculating an earnings base for valuation purposes. For FY 1984, an earnings base of approximately $50,000 is projected for Ridgeway. This projection is based on a positive income from operations due to an improved yield-cost spread as high-rate CD's issued in previous years mature and are replaced at relatively lower prevailing interest rates. This earnings projection also also assumes some reduction in the Association's short-term investment portfolio and redeployment of the funds in higher yielding mortgage loans.

A price/earnings ratio of 3.3x to 4.2x projected FY 1984 earnings adjusted for nonrecurring items is appropriate for Ridgeway. The resultant pro forma valuation is as follows:

Indicated Pro Form Market Value
Adjusted Price Earnings Ratio Approach

PE @ 3.3x; V = $255,149
PE @ 4.2x; V = $395,444

Market Value to Book Value (Net Worth) Method

Exhibit III also shows the return on average net worth for all publicly-traded thrifts which have converted in the past five years while Exhibit VII presents the returns on average net worth for each institution comprising the Comparative Group for various time intervals over the 1979-1983 period.

Exhibit V presents the market price to book value ratios for each of the associations in the Comparative Group. As is indicated, the market price to book value ratios for the Comparative Group associations ranges from 32.23% to 71.19% with a median value of 57.23%.

While there has historically been a close positive correlation between returns on net worth and market price to book value ratios, the relationship today is probably not as close as in the past. Thrift investors today are placing considerable emphasis on near and intermediate terms earnings potential given current interest rate levels.

Consequently, a range of market price to book value of 35.0% to 45.0% has been selected for purposes of valuing Ridgeway. The indicated range of pro form market value, derived from the formula in Exhibit IX, is as follows:

Indicated Pro Form Market Value
Market Price to Book Value Approach

MP/BV @ 35.0%; V = $81,238
MP/BV @ 45.0%; V = $123,439

It should be noted that the pro forma market value utilizing the market price to book value approach is distorted because of Ridgeway's low net worth position. With a relatively low net worth base, a valuation based on price-to-book will be biased in a downward direction. Consequently, this approach is not particularly useful in valuing Ridgeway.

Market Value to Net Assets Method

Exhibit V also shows the market price to net asset ratios for the Comparative Group utilized in this analysis. As is indicated, the range of the market price to net asset ratios for the individual firms also exhibited an extremely wide range, varying from 1.59% to 5.89% with a median value of 3.32%.

Utilizing a range of market price to net assets ratios of 1.50% to 2.5%, the indicated pro forma market value (as derived from the formula in Exhibit IX) is as follows:

Indicated Pro Forma Market Value
Market Value to Net Assets Approach

MP/NA @ 1.50%;	V = $122,925
MP/NA @ 2.50%;	V = $206,977

IV. APPRAISAL CONCLUSION: PRO FORMA VALUE

The primary valuation approaches previously discussed in the determination of the pro forma market value of Ridgeway indicated the following values under the assumptions utilized:

Price/Earnings Ratio (Capitalization of Earnings) Method

Indicated Value	=	$255,149 to $395,444
Midpoint	=	$325,296

Market Price to Book Value (Net Worth) Method

Indicated Value	=	$81,238 to $123,429
Midpoint	=	$102,338

Market Price to Net Assets Method

Indicated Value	=	$122,925 to $206,977
Midpoint	=	$164,951

The values indicated vary considerably depending upon the valuation approach utilized. For example, the low end of the range utilizing the market price to book value approach indicates a value of $102,338 while the high end of the range utilizing the capitalization of earnings approach indicates a value of $325,296.

We believe that the price earnings ratio method of value should carry greater weight than the market price to book value and market price to net assets methods. Given our assumptions about the level of earnings from operations and some reasonable degree of interest rate stability, it is our opinion that the total valuation as of may 16, 1984 for Ridgeway's to-be-outstanding shares is $325,000. The recommended range of value is $276,250 to $373,750 or from approximately 15% below to 15% above the total valuation. (See Exhibit IX)

The $325,000 pro forma valuation gives the following ratios before and after conversion for Ridgeway:

	Before Conversion	Pro Forma After Conversion
Pro Forma Market Price to 1/30/84 Book Value	182.58%	142.54%
Price/Earnings Ratio Based Upon 1984 Projected Net Income	6.5x	3.8x
Pro Forma Market Price to 1/30/84 Net Assets	4.01%	3.99%
Net Worth to 1/30/84 Deposits	2.27%	6.00%

MA004.Q-23.1

Exhibit I

Ridgeway Savings and Loan Associaiton, Incorporated
Consolidated Balance Sheet
(000)

Fiscal Year Ended July 31,	1982	%	1983	%	January 31, 1984 Unaudited	%	FY 1979-1983 Compound Annual Increase %
ASSETS							
Cash	$106	1.71	$997	12.59	$931	11.49	
Loans receivable	5,756	92.80	6,561	82.80	6,694	82.65	8.20
Office property and equipment, at cost, less accumulated depreciation	157	2.54	150	1.90	145	1.79	
Deposits with Maryland-Savings-Share Insurance Corporation	153	2.47	167	2.10	194	2.40	
Ground rents owned	8	0.12	8	0.10	8	0.09	
Prepaid expenses and other assets	4	0.06	6	0.08	128	1.58	
Recoverable income taxes	18	0.29	35	0.44	0	0.00	
Total Assets	$6,203	100.00	$7,923	100.00	$8,100	100.00	10.04
Liabilities and Retained Income							
Savings accounts	$5,862	94.50	$7,593	95.83	$7,842	96.82	10.73
Notes payable	0	.00	0	.00	0	.00	
Advances by borrowers for taxes and insurance	98	1.58	149	1.88	78	0.96	
Accounts payable and accrued expenses	2	0.03	4	0.06	1	0.02	
Total Liabilities	$5,962	96.11	$7,746	97.77	$7,921	97.80	
Undivided Profits:							
Appropriated to general reserves	309	4.97	309	3.89	309	3.81	
Unappropriated	(67)	-1.09	(132)	-1.66	(130)	-1.61	
Total Retained Income	$241	3.89	$177	2.23	$178	2.20	-10.82
Total Liabilities and Retained Income	$6,203	100.00	$7,923	100.00	$8,100	100.00	10.04

Note: Totals may not add exactly due to rounding
Source: Company Financial Statements and TFC Calculations

Exhibit II

Ridgeway Savings and Loan Associaiton, Incorporated
Consolidated Statement of Operations
(000)

Fiscal Year Ended July 31,	1982	%	% of Average Net Assets	1983	%	% of Average Net Assets
INCOME						
Interest on loans	$693	90.65	11.60	$606	94.80	8.57
Interest on investments	52	6.83	0.87	21	3.30	0.30
Total Interest Income	746	97.48	12.47	626	98.10	8.87
Loan fees	14	1.85	0.24	8	1.28	0.12
Other	5	0.66	0.08	4	0.62	0.06
Total Income	$765	100.00	12.79	$639	100.00	9.04
EXPENSE						
Interest on savings accounts	$706	92.34	11.81	$573	89.72	8.11
Interest on advances and borrowed money	0	.00	.00	21	3.31	0.30
Total Interest Expense	706	92.34	11.81	594	93.03	8.41
General and Administrative Expense	145	18.95	2.42	123	19.21	1.74
Income (Loss) Before Non-recurring Items	(86)	-11.28	-1.44	(78)	-12.24	-1.11
Gain on sale of real estate	4	0.53	0.07	0	0.00	0.00
Income (Loss) Before Recovery of Federal Income Taxes	(82)	-10.75	-1.37	(78)	-12.24	-1.11
Recovery of income taxes	18	2.35	0.30	13	1.96	0.18
Net Income (Loss)	($64)	-8.39	-1.07	($66)	-10.28	-0.93

Note: Totals may not add exactly due to rounding
Source: Company Financial Statements and TFC Calculations

Exhibit III

Market Price Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Book Value Per Share	Price/ Book Value (x)	Price 5/16/84	Book Value Per Share	Price/ Book Value (x)	% Increase (Decrease) Market Price	% Increase (Decrease) Price/ Book Value (x)	Return on Net Worth Last 12 Months	Return on Net Worth Last Qtr Annualized
UNITED BANK	05/19/83	880	12.90	28.86	44.70	9.25	28.90	32.01	-28.29	-28.40	5.87	4.17
FLORIDA FEDERAL S & L	05/26/83	9,350	20.00	33.08	60.46	15.81	30.57	51.72	-20.94	-14.46	3.73	5.98
HOME FEDERAL OF THE ROCKIES	06/01/83	500	9.20	18.10	50.83	14.25	21.62	65.90	54.89	29.65	11.88	1.81
UNITED FIRST FEDERAL S&L	06/01/83	3,028	13.50	20.89	64.62	19.75	22.57	87.51	46.30	35.41	-6.09	-4.02
PRUDENTIAL BANK	07/07/83	821	10.50	18.19	57.72	8.38	21.13	39.64	-20.24	-31.33	-2.08	5.58
PACIFIC FIRST FEDERAL SB	07/16/83	7,480	15.00	25.90	57.92	9.69	25.31	38.28	-35.42	-33.90	-0.07	-7.00
FIRST SOUTHERN FEDERAL S&L	07/21/83	3,018	7.00	17.78	39.37	12.19	15.59	78.18	74.10	98.58	-6.19	-19.33
FIRST FEDERAL S&L-ARIZ	07/26/83	6,293	13.75	22.93	59.97	15.50	23.73	65.32	12.73	8.93	-7.30	-1.54
HOWARD SAVINGS BANK	07/26/83	5,483	15.00	35.37	42.41	14.81	37.90	39.08	-1.25	-7.84	1.15	-1.64
FIRST INDIANA FEDERAL SB	08/02/83	1,100	12.50	29.58	42.26	11.75	29.47	39.88	-6.00	-5.63	-1.32	-0.28
PROVIDENT INST. FOR SAVINGS	08/08/83	3,750	10.50	24.30	43.21	16.19	24.80	65.26	54.16	51.03	-0.51	-2.44
FIRST FEDERAL S/L OF AUSTIN	08/09/83	2,113	13.75	20.13	68.31	24.25	21.69	111.80	76.36	63.67	7.68	3.28
BANKVERMONT CORP.	08/18/83	1,540	11.00	20.83	52.81	10.50	23.27	45.11	-4.55	-14.57	3.11	1.58
GREAT AMERICAN FEDERAL SB	08/25/83	12,500	13.50	24.07	56.09	9.56	26.59	35.96	-29.17	-35.88	12.00	4.73
CARTERET S&L ASSOCIATION	09/07/83	6,820	9.50	16.47	57.68	7.56	17.01	44.46	-20.40	-22.92	-2.91	-9.10
CENTERBANC SAVINGS ASSOC.	09/21/83	1,000	11.50	22.11	52.01	14.88	21.90	67.91	29.35	30.57	-2.63	3.66
FIRST FEDERAL S&L OF FT MYERS	09/22/83	1,510	13.00	25.37	51.24	21.88	25.49	85.82	68.27	67.49	7.98	6.88
NORTHEAST SAVINGS, FA	09/22/83	4,500	12.00	34.88	34.40	8.69	31.81	27.31	-27.61	-20.63	-0.01	-5.54
PHILA. SAVINGS FUND SOCIETY	09/22/83	35,063	11.25	23.76	47.35	8.06	23.47	34.35	-28.34	-27.45	-3.39	-2.38
ATLANTIC FINANCIAL FEDERAL	09/23/83	2,700	11.75	41.06	28.62	9.88	41.80	23.63	-15.96	-17.44	-2.98	0.19
GLENDALE FEDERAL S & L ASSN	10/13/83	21,046	13.75	27.20	50.55	7.31	28.00	26.12	-46.82	-48.34	0.14	0.30
PENINSULA FEDERAL S&L	10/14/83	1,100	11.00	18.36	59.91	11.63	16.69	69.64	5.68	16.23	-17.39	-4.70
MERCHANTS COOOPERATIVE BANK	10/18/83	800	11.75	29.88	39.32	10.44	29.13	35.83	-11.17	-8.89	8.95	0.78
SAVERS FEDERAL S&L ASSN.	10/27/83	1,320	11.00	18.77	58.60	20.63	24.28	84.94	87.50	44.93	25.46	34.24
COAST FEDERAL S&L	11/02/83	3,990	11.00	19.53	56.32	15.38	17.95	85.66	39.77	52.09	-3.78	-10.63
FIRST FED. S/L OF CHARLESTON	11/03/83	850	11.00	20.61	53.37	13.63	20.05	67.95	23.86	27.32	2.04	7.02
UNITED FEDERAL BANK, FSB	11/04/83	1,800	10.63	20.64	51.48	10.75	20.90	51.45	1.18	-0.06	4.99	5.96
SOUTH BOSTON SAVINGS BANK	11/09/83	3,081	12.00	21.07	56.95	16.13	23.85	67.61	34.38	18.71	13.30	20.84
VERMONT FEDERAL BANK	11/10/83	840	11.00	20.37	54.00	10.50	21.59	48.63	-4.55	-9.94	3.80	3.69
AMERIWEST FINANCIAL CORP.	11/15/83	2,300	10.75	21.84	49.22	17.69	21.14	83.69	64.53	70.02	-8.18	-4.49
MAGNET BANK	11/16/83	800	11.00	21.35	51.52	9.63	22.52	42.74	-12.50	-17.05	-0.53	4.38
DALLAS FEDERAL SAVINGS & LOAN	11/18/83	3,068	12.75	22.16	57.54	24.19	21.74	111.24	89.70	93.33	-6.91	-15.71
FARM AND HOME SAVINGS ASSOC.	11/18/83	6,900	12.50	24.32	51.40	19.69	23.81	82.69	57.50	60.88	1.53	1.89
FIRSTSOUTH FEDERAL SAV.& LOAN	11/21/83	1,900	13.80	22.62	61.01	38.50	25.57	150.58	178.99	146.83	2.35	8.17
BOSTON FIVE CENTS SAV. BK.	11/22/83	3,400	12.75	33.09	38.53	12.13	33.51	36.18	-4.90	-6.09	4.40	2.06
SHORELINE SAVINGS	11/22/83	690	10.00	13.72	72.89	13.06	14.37	90.93	30.62	24.76	22.22	17.57
ATLANTIC FEDERAL S & L ASSOC.	11/29/83	2,700	7.75	15.73	49.27	9.63	15.75	61.11	24.19	24.03	-3.49	3.24
AMOSKEAG BANK SHARES, INC.	11/30/83	4,025	13.00	27.90	46.59	19.06	26.09	73.08	46.63	56.84	4.39	2.83
FIRST FEDERAL OF MICHIGAN	12/01/83	8,600	7.75	20.61	37.60	7.63	20.61	36.99	-1.61	-1.62	19.72	42.95
FIRST SAVINGS BANK OF FL, FSB	12/01/83	2,081	15.00	29.08	51.58	26.63	28.89	92.17	77.50	78.69	5.74	4.85
LIBERTY FEDERAL S&L - GA	12/06/83	1,100	10.00	22.48	44.48	12.38	21.46	57.68	23.75	29.66	-1.87	-0.72
FIRST FED. S & L ASSOC. OF SC	12/08/83	2,640	7.25	19.10	37.96	5.81	19.10	30.44	-19.83	-19.81	-2.84	-16.10
FIRST FED. SAV. BK. OF CALIF.	12/09/83	1,800	12.75	29.25	43.59	15.00	30.81	48.69	17.65	11.70	2.36	7.46

2640

Exhibit III-2

Market Price Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Book Value Per Share	Price/ Book Value (%)	Price 5/16/84	Book Value Per Share	Price/ Book Value (%)	% Increase (Decrease) Market Price	% Increase (Decrease) Price/ Book Value (%)	Return on Net Worth Last 12 Months	Return on Net Worth Last Qtr Annualized
GREAT WESTERN FED. SAV. BANK	12/09/83	2,200	10.50	21.49	48.86	10.63	21.53	49.35	1.19	1.00	6.63	9.52
BURRITT INTERFINANCIAL	12/13/83	1,250	10.00	20.62	48.50	10.06	20.62	48.79	0.62	0.60	8.65	8.67
HERITAGE FEDERAL S&L ASSOC.	12/15/83	1,934	8.75	17.88	48.94	15.00	16.66	90.03	71.43	83.96	-1.73	-17.34
FIRST NORTHERN S&L ASSOC.	12/20/83	800	10.63	19.06	55.75	11.13	20.57	54.08	4.71	-2.99	12.55	11.72
MORRIS COUNTY SAVINGS BANK	12/20/83	1,238	10.75	25.37	42.37	13.13	23.85	55.04	22.09	29.90	1.69	-0.43
GREAT LAKES FEDERAL S&L ASSOC.	12/21/83	3,612	9.00	23.95	37.58	7.50	19.25	38.95	-16.67	3.66	5.77	8.34
ATHENS FEDERAL SAVINGS BANK	01/12/84	800	8.25	18.09	45.61	9.25	18.09	51.13	12.12	12.11	-2.93	-7.22
LANDMARK SAVINGS ASSOCIATION	01/20/84	1,500	10.00	29.55	33.84	6.69	29.17	22.92	-33.13	-32.27	15.75	-1.66
WESTERN FEDERAL S&L	01/24/84	3.220	11.00	22.73	48.39	8.75	22.73	38.50	-20.45	-20.44	3.22	7.64
GEORGIA FEDERAL BANK	01/25/84	7,871	8.50	19.01	44.71	9.13	18.51	49.31	7.35	10.28	-9.58	-4.08
HOME FEDERAL SAVINGS BANK-MA	01/25/84	600	9.00	19.86	45.32	6.63	19.86	33.35	-26.39	-26.40	-31.71	-24.65
LIBERTY FEDERAL S&L - PA	01/31/84	881	11.25	28.21	39.88	10.25	26.33	38.93	-8.89	-2.39	6.65	6.76
SOCIETY FOR SAVINGS	01/31/84	4,500	12.00	27.93	42.96	12.06	27.93	43.19	0.52	0.52	2.08	13.11
HOME FEDERAL SAVINGS BANK-MD	02/01/84	398	10.00	22.28	44.88	11.25	22.28	50.50	12.50	12.51	1.92	1.58
COLUMBIA FEDERAL SAVINGS BANK	02/02/84	1,000	8.00	15.87	50.41	6.50	16.12	40.33	-18.75	-19.99	7.62	7.80
UNION WARREN SAVINGS BANK	02/03/84	1,811	11.00	28.77	38.23	10.06	28.77	34.97	-8.53	-8.54	1.49	5.37
COLLECTIVE FEDERAL S&L	02/07/84	1,300	10.50	20.95	50.12	12.25	20.95	58.49	16.67	16.69	12.11	14.87
NEWORLD BANK	02/07/84	3,622	11.75	28.25	41.59	9.88	28.26	34.94	-15.96	-15.99	2.04	2.04
COMMUNITY SHARES, LTD.	02/08/84	750	9.75	20.80	46.88	8.50	20.78	40.91	-12.82	-12.72	2.24	2.43
PONCE FEDERAL BANK F.S.B.	02/15/84	1,579	8.50	16.36	51.96	6.94	16.19	42.84	-18.39	-17.54	17.95	25.16
ROYAL PALM SAVINGS ASSOC.	02/15/84	1,000	8.00	10.57	75.69	6.94	4.50	154.26	-13.29	103.82	24.71	36.07
YORK FEDERAL SAVINGS & LOAN	02/28/84	800	11.00	24.62	44.68	11.13	24.62	45.19	1.14	1.13	4.20	8.34
GREAT SOUTHERN FEDERAL SB	03/02/84	1,800	9.50	22.06	43.06	9.25	22.07	41.92	-2.63	-2.66	4.54	7.18
GRAND RAPIDS FEDERAL SB	03/09/84	1,122	6.63	14.81	44.73	8.13	14.81	54.88	22.64	22.67	-4.07	-2.50
WESTCHESTER FIN. SERV. CORP.	03/13/84	1,850	9.38	15.63	59.98	9.38	15.63	59.99	0.00	0.01	10.38	7.59
CHARTER FEDERAL S&L	03/20/84	875	8.00	21.50	37.21	8.00	20.99	38.12	0.00	2.45	-11.10	-9.05
CENTRAL PENNSYLVANIA SAVINGS	03/23/84	700	9.00	19.62	45.87	8.50	19.80	42.92	-5.56	-6.42	8.69	6.58
BANKERS FIRST CORPORATION	04/24/84	2,000	7.38	14.76	49.97	7.50	14.76	50.82	1.69	1.72	3.47	3.46
SAVERS BANCORP, INC.	05/03/84	1,200	12.00	24.45	49.08	12.25	24.45	50.11	2.08	2.10	4.99	6.60
CAPITAL FEDERAL S/L ASSOC.	05/09/84	3,070	7.75	18.61	41.64	7.63	18.62	40.96	-1.61	-1.64	11.36	7.10
ALL CONVERTED AVERAGE								54.50	11.10	9.87	2.57	2.78
ALL CONVERTED MEDIAN								48.79	0.62	0.52	2.24	3.24
CALIFORNIA - AVERAGE								37.32	-19.70	-23.24	4.43	5.03
CALIFORNIA - MEDIAN								37.23	-24.81	-28.16	2.79	6.09
FLORIDA - AVERAGE								75.72	34.16	38.31	-3.20	-2.37
FLORIDA - MEDIAN								77.65	34.56	32.99	-3.06	-0.39
TEXAS - AVERAGE								111.52	83.03	78.50	0.39	-6.22
TEXAS - MEDIAN								111.52	83.03	78.50	0.39	-6.22

Exhibit III-3

Marke[illegible]e Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Book Value Per Share	Price/ Book Value (%)	Price 5/16/84	Book Value Per Share	Price/ Book Value (%)	% Increase (Decrease) Market Price	% Increase (Decrease) Price/ Book Value (%)	Return on Net Worth Last 12 Months	Return on Net Worth Last Qtr Annualized
ALL OTHERS - AVERAGE								50.69	7.22	5.64	3.36	3.70
ALL OTHERS - MEDIAN								44.46	-1.61	-1.62	2.35	2.63

EXHIBIT III-4

Market Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Price/ Net Assets (%)	Price 5/16/84	Net Assets Per Share	Price/ Net Assets (%)	% Increase (Decrease) Market Price	% Increase (Decrease) Price/ Net Assets (%)	Return on Net Assets Last 12 Months	Return on Net Assets Last Qtr Annualized
UNITED BANK	08/19/83	880	12.90	4.09	9.28	329.61	2.81	-28.29	-31.39	0.53	0.37
FLORIDA FEDERAL S & L	05/26/83	9,350	20.00	3.82	15.81	445.47	3.55	-20.94	-7.09	0.26	0.40
HOME FEDERAL OF THE ROCKIES	06/01/83	500	9.20	2.65	14.25	407.41	3.50	54.89	31.96	0.65	0.10
UNITED FIRST FEDERAL S&L	06/01/83	3,028	13.50	3.15	19.75	473.43	4.17	46.30	32.41	-0.29	-0.21
PRUDENTIAL BANK	07/07/83	821	10.50	4.20	8.38	239.22	3.50	-20.24	-16.67	-0.17	0.44
PACIFIC FIRST FEDERAL SB	07/16/83	7,480	15.00	4.66	9.69	315.83	3.07	-35.42	-34.18	-0.01	-0.58
FIRST SOUTHERN FEDERAL S&L	07/21/83	3,018	7.00	1.92	12.19	363.97	3.35	74.10	74.38	-0.27	-0.91
FIRST FEDERAL S&L-ARIZ	07/26/83	6,293	13.75	3.32	15.50	471.38	3.29	12.73	-0.96	-0.37	-0.08
HOWARD SAVINGS BANK	07/26/83	5,483	15.00	2.65	14.81	656.87	2.25	-1.25	-14.94	0.07	-0.10
FIRST INDIANA FEDERAL SB	08/02/83	1,100	12.50	2.12	11.75	597.47	1.97	-6.00	-7.26	-0.07	-0.01
PROVIDENT INST. FOR SAVINGS	08/08/83	3,750	10.50	4.20	16.19	266.21	6.08	54.16	44.76	-0.05	-0.23
FIRST FEDERAL S/L OF AUSTIN	08/09/83	2,113	13.75	5.96	24.25	238.06	10.19	76.36	70.91	0.70	0.28
BANKVERMONT CORP.	08/18/83	1,540	11.00	3.72	10.50	348.20	3.02	-4.55	-18.95	0.21	0.11
GREAT AMERICAN FEDERAL SB	08/25/83	12,500	13.50	3.93	9.56	418.07	2.29	-29.17	-41.81	0.78	0.32
CARTERET S&L ASSOCIATION	09/07/83	6,820	9.50	1.68	7.56	644.52	1.17	-20.40	-30.18	-0.08	-0.23
CENTERBANC SAVINGS ASSOC.	09/21/83	1,000	11.50	2.49	14.88	491.77	3.02	29.35	21.45	-0.12	0.19
FIRST FEDERAL S&L OF FT MYERS	09/22/83	1,510	13.00	3.26	21.88	386.22	5.66	68.27	73.71	0.53	0.46
NORTHEAST SAVINGS, FA	09/22/83	4,500	12.00	1.73	8.69	666.54	1.30	-27.61	-24.68	0.00	-0.27
PHILA. SAVINGS FUND SOCIETY	09/22/83	35,063	11.25	3.47	8.06	340.01	2.37	-28.34	-31.67	-0.24	-0.21
ATLANTIC FINANCIAL FEDERAL	09/23/83	2,700	11.75	1.44	9.88	912.59	1.08	-15.96	-24.86	-0.14	0.01
GLENDALE FEDERAL S & L ASSN	10/13/83	21,046	13.75	3.19	7.31	462.83	1.58	-46.82	-50.50	0.05	0.10
PENINSULA FEDERAL S&L	10/14/83	1,100	11.00	2.18	11.63	459.61	2.53	5.68	16.01	-0.64	-0.16
MERCHANTS COOOPERATIVE BANK	10/18/83	800	11.75	3.26	10.44	364.96	2.86	-11.17	-12.30	0.72	0.06
SAVERS FEDERAL S&L ASSN.	10/27/83	1,320	11.00	1.79	20.63	699.05	2.95	87.50	64.80	0.89	1.13
COAST FEDERAL S&L	11/02/83	3,990	11.00	3.78	15.38	271.12	5.67	39.77	50.03	-0.24	-0.73
FIRST FED. S/L OF CHARLESTON	11/03/83	850	11.00	1.84	13.63	552.50	2.47	23.86	34.02	0.07	0.27
UNITED FEDERAL BANK, FSB	11/04/83	1,800	10.63	5.54	10.75	188.25	5.71	1.18	3.07	0.55	0.68
SOUTH BOSTON SAVINGS BANK	11/09/83	3,081	12.00	5.33	16.13	244.36	6.60	34.38	23.79	1.26	2.15
VERMONT FEDERAL BANK	11/10/83	840	11.00	4.20	10.50	279.34	3.76	-4.55	-10.52	0.30	0.29
AMERIWEST FINANCIAL CORP.	11/15/83	2,300	10.75	1.98	17.69	506.28	3.49	64.53	76.41	-0.34	-0.18
MAGNET BANK	11/16/83	800	11.00	1.76	9.63	652.64	1.47	-12.50	-16.25	-0.02	0.16
DALLAS FEDERAL SAVINGS & LOAN	11/18/83	3,068	12.75	2.31	24.19	581.45	4.16	89.70	80.04	-0.27	-0.62
FARM AND HOME SAVINGS ASSOC.	11/18/83	6,900	12.50	2.83	19.69	394.37	4.99	57.50	76.40	0.09	0.11
FIRSTSOUTH FEDERAL SAV.& LOAN	11/21/83	1,900	13.80	2.74	38.50	639.22	6.02	178.99	119.82	0.10	0.31
BOSTON FIVE CENTS SAV. BK.	11/22/83	3,400	12.75	3.56	12.13	355.63	3.41	-4.90	-4.24	0.41	0.19
SHORELINE SAVINGS	11/22/83	690	10.00	4.37	13.06	250.05	5.22	30.62	19.52	1.29	0.29
ATLANTIC FEDERAL S & L ASSOC.	11/29/83	2,700	7.75	1.31	9.63	585.83	1.64	24.19	25.34	-0.09	0.10
AMOSKEAG BANK SHARES, INC.	11/30/83	4,025	13.00	7.79	19.06	145.78	13.08	46.63	67.86	0.75	0.50
FIRST FEDERAL OF MICHIGAN	12/01/83	8,600	7.75	0.96	7.63	805.68	0.95	-1.61	-1.46	0.50	1.06
FIRST SAVINGS BANK OF FL, FSB	12/01/83	2,081	15.00	4.70	26.63	323.16	8.24	77.50	75.30	0.53	0.45
LIBERTY FEDERAL S&L - GA	12/06/83	1,100	10.00	2.44	12.38	383.65	3.23	23.75	32.17	-0.10	-0.04
FIRST FED. S & L ASSOC. OF SC	12/08/83	2,640	7.25	1.53	5.81	472.83	1.23	-19.83	-19.67	-0.12	-0.65
FIRST FED. SAV. BK. OF CALIF.	12/09/83	1,800	12.75	3.26	15.00	436.67	3.44	17.65	5.37	0.17	0.53

Exhibit III-5

Market Price Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Price/ Net Assets (%)	Price 5/16/84	Net Assets Per Share	Price/ Net Assets (%)	% Increase (Decrease) Market Price	% Increase (Decrease) Price/ Net Assets (%)	Return on Net Assets Last 12 Months	Return on Net Assets Last Qtr Annualized
GREAT WESTERN FED. SAV. BANK	12/09/83	2,200	10.60	4.17	10.63	237.42	4.48	1.19	7.31	0.60	0.85
BURRITT INTERFINANCIAL	12/13/83	1,250	10.00	3.18	10.06	314.26	3.20	0.62	0.66	0.57	0.57
HERITAGE FEDERAL S&L ASSOC.	12/15/83	1,934	8.75	2.56	15.00	308.87	4.86	71.43	89.69	-0.09	-0.92
FIRST NORTHERN S&L ASSOC.	12/20/83	800	10.63	3.96	11.13	272.33	4.09	4.71	3.16	0.93	0.87
MORRIS COUNTY SAVINGS BANK	12/20/83	1,238	10.75	1.60	13.13	673.98	1.95	22.09	21.69	0.06	-0.02
GREAT LAKES FEDERAL S&L ASSOC.	12/21/83	3,612	9.00	1.38	7.50	492.68	1.52	-16.67	10.29	0.22	0.33
ATHENS FEDERAL SAVINGS BANK	01/12/84	800	8.25	2.49	9.25	331.69	2.79	12.12	11.97	-0.16	-0.42
LANDMARK SAVINGS ASSOCIATION	01/20/84	1,500	10.00	1.28	6.69	792.36	0.84	-33.13	-34.14	0.59	-0.06
WESTERN FEDERAL S&L	01/24/84	3,220	11.00	3.21	8.75	343.18	2.55	-20.45	-20.59	0.22	0.52
GEORGIA FEDERAL BANK	01/25/84	7,871	8.50	2.86	9.13	295.01	3.09	7.35	8.15	-0.61	-0.28
HOME FEDERAL SAVINGS BANK-MA	01/25/84	600	9.00	1.81	6.63	498.49	1.33	-26.39	-26.57	-1.26	-0.93
LIBERTY FEDERAL S&L - PA	01/31/84	881	11.25	3.06	10.25	338.97	3.02	-8.89	-1.21	0.51	0.56
SOCIETY FOR SAVINGS	01/31/84	4,500	12.00	2.35	12.06	510.76	2.36	0.52	0.47	0.12	0.71
HOME FEDERAL SAVINGS BANK-MD	02/01/84	398	10.00	3.08	11.25	327.83	3.43	12.50	11.40	0.13	0.13
COLUMBIA FEDERAL SAVINGS BANK	02/02/84	1,000	8.00	2.51	6.50	332.98	1.95	-18.75	-22.23	0.37	0.38
UNION WARREN SAVINGS BANK	02/03/84	1,811	11.00	3.16	10.06	348.30	2.89	-8.53	-8.61	0.12	0.47
COLLECTIVE FEDERAL S&L	02/07/84	1,300	10.50	1.73	12.25	607.45	2.02	16.67	16.53	0.43	0.55
NEWORLD BANK	02/07/84	3,622	11.75	3.66	9.88	321.32	3.07	-15.96	-16.04	0.18	0.19
COMMUNITY SHARES, LTD.	02/08/84	750	9.75	3.48	8.50	285.00	2.98	-12.82	-14.31	0.16	0.18
PONCE FEDERAL BANK F.S.B.	02/15/84	1,579	8.50	2.72	6.94	298.33	2.33	-18.39	-14.52	0.96	1.40
ROYAL PALM SAVINGS ASSOC.	02/15/84	1,000	8.00	12.80	6.94	26.59	26.09	-13.29	103.83	4.79	6.10
YORK FEDERAL SAVINGS & LOAN	02/28/84	800	11.00	1.85	11.13	594.12	1.87	1.14	1.19	0.17	0.35
GREAT SOUTHERN FEDERAL SB	03/02/84	1,800	9.50	2.07	9.25	460.04	2.01	-2.63	-2.90	0.22	0.35
GRAND RAPIDS FEDERAL SB	03/09/84	1,122	6.63	3.59	8.13	195.16	4.16	22.64	15.96	-0.31	-0.21
WESTCHESTER FIN. SERV. CORP.	03/13/84	1,850	9.38	2.35	9.38	399.45	2.35	0.00	-0.17	0.42	0.31
CHARTER FEDERAL S&L	03/20/84	875	8.00	1.69	8.00	436.68	1.83	0.00	8.34	-0.52	-0.52
CENTRAL PENNSYLVANIA SAVINGS	03/23/84	700	9.00	2.70	8.50	342.32	2.48	-5.56	-8.04	0.51	0.38
BANKERS FIRST CORPORATION	04/24/84	2,000	7.38	3.12	7.50	236.34	3.17	1.69	1.70	0.22	0.24
SAVERS BANCORP, INC.	05/03/84	1,200	12.00	5.45	12.25	220.25	5.56	2.08	2.04	0.55	0.76
CAPITAL FEDERAL S/L ASSOC.	05/09/84	3,070	7.75	2.91	7.63	266.42	2.86	-1.61	-1.65	0.80	0.50
ALL CONVERTED AVERAGE							3.33	11.10	9.27	0.19	0.19
ALL CONVERTED MEDIAN							3.02	0.62	0.66	0.17	0.19
CALIFORNIA - AVERAGE							2.46	-19.70	-26.88	0.30	0.37
CALIFORNIA - MEDIAN							2.42	-24.81	-31.20	0.19	0.42
FLORIDA - AVERAGE							4.21	34.16	37.89	-0.09	-0.11
FLORIDA - MEDIAN							3.86	34.56	28.88	-0.11	-0.03
TEXAS - AVERAGE							7.17	83.03	73.47	0.22	-0.17
TEXAS - MEDIAN							7.17	83.03	73.47	0.22	-0.17

Exhibit III-6

Market Price Performance
Mutual to Stock Conversions
NASDAQ or Listed Trading
Last 12 Months

Institution	Date Issued	Shares Issued (000)	Original Issue Price	Price/ Net Assets (x)	Price 5/16/84	Net Assets Per Share	Price/ Net Assets (x)	% Increase (Decrease): Market Price	% Increase (Decrease): Price/ Net Assets (x)	Return on Net Assets: Last 12 Months	Return on Net Assets: Last Qtr Annualized
ALL OTHERS - AVERAGE							3.12	7.22	6.33	0.23	0.23
ALL OTHERS - MEDIAN							2.95	-1.61	-0.96	0.19	0.19

Publicly Traded Thrift Institutions
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization ($000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/ Book Value (%)	Market Price/ Net Assets (%)	Dividend Yield (%)	EPS ($0.00)
NYSE											
AMERICAN SAVINGS & LOAN OF FL		20.78	10.25	73.021	Nil	4.71	NM	49.33	2.23	0.00	0.05
FAR WEST FINANCIAL	1	24.99	31.19	62,872	Nil	NM	NM	124,80	4,82	0.00	-2.50
FINANCIAL CORP. OF AMERICA		18.90	16.69	705,726	0.68	3.78	5.34	88.30	2.61	4.08	3.12
FINANCIAL CORP. OF S.B.	1	5.51	6.44	28,168	Nil	NM	NM	116.74	1.15	0.00	-5.64
GIBRALTER FINANCIAL CORP		10.19	7.63	125,812	Nil	4.01	NM	74.86	2.12	0.00	0.44
GOLDEN WEST FINANCIAL CORP.		12.39	12.63	260,693	0.12	3.32	4.25	101.94	3.20	0.95	2.97
GREAT WESTERN FINANCIAL		24.45	18.69	661,669	0.88	9.71	9.38	76.43	3.55	4.71	1.99
H.F. AHMANSON & CO.		33.40	19.25	532.782	1.20	4.93	4.78	57.63	2.63	6.23	4.02
HOMESTEAD FINANCIAL CORP.		16.93	12.75	57.298	0.40	3.47	9.15	75.31	3.05	3.14	1.39
IMPERIAL CORP. OF AMERICA		14.49	8.63	122,440	Nil	NM	NM	59.54	2.13	0.00	-2.23
MAFCO FINANCIAL GROUP		20.83	-17.50	46.550	0.80	10.12	13.30	84.01	4.81	4.57	1.32
NEVADA SAVINGS AND LOAN ASSN.		13.23	10.63	54.516	0.50	5.05	11.95	80.29	4.92	4.71	0.89
TRANSOHIO FINANCIAL CORP.	1	17.38	8.25	31,325	Nil	5.85	NM	47,46	1.28	0.00	-0.48
AMEX											
CITADEL HOLDING COMPANY		26.22	15.75	50.132	Nil	7.36	NM	60.06	2.29	0.00	-0.72
COMMONWEALTH FEDERAL SAV. BK.		18.72	12.25	32.046	Nil	2.06	3.23	65,45	4.65	0.00	3.79
DOWNEY SAVINGS AND LOAN		7.44	8.94	42,227	0.14	NM	NM	120.14	2.30	1.57	-0.86
MERCURY SAVINGS AND LOAN ASSN.		7.36	9,00	39.303	Nil	3.53	5.40	122.35	2.26	0.00	1.66
WESCO FINANCIAL	2	17.43	18.75	133.500	0.58	12.65	17.50	107,57	37.60	3.09	1.07
WESTERN SAVINGS AND LOAN		21.99	19.50	82.504	1.05	2.56	NM	88.68	2.78	5.38	-4.74
OTC											
ALAMO SAVINGS ASSOCIATION	1	13.28	21.00	31.941	0.90	3.62	3.65	158.16	4.43	4.29	5.74
AMERICAN FEDERAL SAVINGS		18.90	14.25	20.961	0.60	3.67	3.67	75.40	5.52	4.21	3.87
AMERIVEST FINANCIAL CORP.		21.14	17.69	40,680	Nil	6.05	NM	83.69	3.49	0.00	-1.73
AMOSKEAG BANK SHARES, INC.		26,09	19.06	76,724	0.18	NM	NM	73.08	13.08	0.94	1.10
ATHENS FEDERAL SAVINGS BANK		18.09	9.25	7,400	Nil	NM	NM	51.13	2.79	0.00	-0.54
ATLANTIC FEDERAL S & L ASSOC.		15.75	9.63	25.987	Nil	NM	NM	61.11	1.64	0.00	-0.55
ATLANTIC FINANCIAL FEDERAL		41.80	9.88	26,662	Nil	NM	NM	23.63	1.08	0.00	-1.24
BANKERS FIRST CORPORATION		14.76	7.50	15.000	Nil	7.31	NM	50.82	3.17	0.00	0.51
BANKVERMONT CORP.		23.27	10.50	14,700	Nil	NM	NM	45.11	3.02	0.00	0.72
BELL NATIONAL CORPORATION		5.18	7.75	47.980	Nil	2.85	3.53	149.64	6.47	0.00	2.19
BEVERLY HILLS S&L	1	13.19	15.00	45.225	Nil	5.66	7.30	113.70	2.79	0.00	2.05
BLOOMFIELD SAVINGS AND LOAN	2	6.48	5,25	11,313	Nil	5.37	5.48	81.08	3,02	0.00	0.96
BOSTON FIVE CENTS SAV. BK.		33.51	12.13	41.225	Nil	NM	NM	36.18	3.41	0.00	1.47
BROADVIEW FINANCIAL		12.17	5.63	16.723	0.01	1.37	NM	46.21	0.83	0.18	-2.20
BUCKEYE FEDERAL SAVINGS	1	15.33	11.56	20.927	0.01	NM	NM	75.42	1.76	0.09	-5.55

Exhibit IV-2

Publicly Traded Thrift Institutions
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization ($000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/ Book Value (%)	Market Price/ Net Assets (%)	Dividend Yield (%)	EPS ($0.00)
BURRITT INTERFINANCIAL		20.62	10.06	12,577	Nil	5.57	5.64	48.79	3.20	0.00	1.78
CALFED INCORPORATED		36.41	13.75	280,582	0.08	3.48	6.65	37.76	1.96	0.58	2.07
CAPITAL FEDERAL S/L ASSOC.		18.62	7.63	23,408	Nil	3.85	3.62	40.96	2.86	0.00	2.10
CARTERET S&L ASSOCIATION		17.01	7.56	51,572	Nil	3.38	NM	44.46	1.17	0.00	-0.50
CENTERBANC SAVINGS ASSOC.		21.90	14.88	14,875	Nil	NM	NM	67.91	3.02	0.00	-0.57
CENTRAL PENNSYLVANIA SAVINGS		19.80	8.50	5,950	Nil	4.96	4.96	42.92	2.48	0.00	1.71
CHARTER FEDERAL S&L		20.99	8.00	7,000	Nil	5.46	NM	38.12	1.83	0.00	-2.36
CITIZENS SAVINGS		21.83	18.50	28,527	Nil	5.30	NM	84.76	1.91	0.00	-3.42
CITY FEDERAL S&L		19.67	9.56	124,439	0.10	2.92	6.42	48.61	1.89	1.05	1.43
COAST FEDERAL S&L		17.95	15.38	61,346	Nil	NM	NM	85.66	5.67	0.00	-0.68
COLLECTIVE FEDERAL S&L		20.95	12.25	15,925	Nil	4.87	4.89	58.49	2.02	0.00	2.50
COLUMBIA FEDERAL SAVINGS BANK		16.12	6.50	6,500	Nil	5.33	5.33	40.33	1.95	0.00	1.22
COLUMBIA S & L ASSOCIATION	2	17.35	8.88	42,120	Nil	1.03	3.07	51.16	0.84	0.00	2.88
COMMONWEALTH S&L -FLORIDA	2	8.74	12.25	19,257	Nil	4.94	7.05	140.14	4.24	0.00	1.74
COMMUNITY SHARES, LTD.		20.78	8.50	6,375	Nil	NM	NM	40.91	2.98	0.00	0.47
CONTINENTAL FEDERAL S & L		23.07	16.25	21,336	Nil	NM	NM	70.44	3.22	0.00	-3.24
CYPRESS SAVINGS ASSOCIATION	2	6.42	10.75	21,145	Nil	14.04	14.04	167.45	30.18	0.00	0.77
DALLAS FEDERAL SAVINGS & LOAN		21.74	24.19	72,561	Nil	NM	NM	111.24	4.16	0.00	-1.52
FARM AND HOME SAVINGS ASSOC.		23.81	19.69	135,840	Nil	NM	NM	82.69	4.99	0.00	0.36
FIRST COLUMBIA FINANCIAL		18.21	11.75	28,505	Nil	NM	NM	64.52	1.77	0.00	-0.34
FIRST FED. S & L ASSOC. OF SC		19.10	5.81	15,343	Nil	1.12	NM	30.44	1.23	0.00	-0.55
FIRST FED. S/L OF CHARLESTON		20.05	13.63	12,589	Nil	NM	NM	67.95	2.47	0.00	0.40
FIRST FED. SAV. BK. OF CALIF.		30.81	15.00	27,000	Nil	4.09	NM	48.69	3.44	0.00	0.71
FIRST FEDERAL - ROANOKE		26.68	15.00	15,000	Nil	NM	NM	56.23	4.02	0.00	-1.05
FIRST FEDERAL OF MICHIGAN		20.61	7.63	65,575	Nil	1.96	1.87	36.99	0.95	0.00	4.06
FIRST FEDERAL S&L - MADISON		19.67	16.00	5,984	0.71	7.22	6.95	81.34	3.93	4.44	2.30
FIRST FEDERAL S&L OF FT MYERS	1	25.49	21.88	33,031	Nil	9.53	10.86	85.82	5.66	0.00	2.01
FIRST FEDERAL S&L-ARIZ		23.73	15.50	97,541	Nil	4.24	NM	65.32	3.29	0.00	-1.73
FIRST FEDERAL S&L-WINTERHAVEN	1	17.97	21.38	15,112	Nil	NM	NM	118.96	4.65	0.00	0.24
FIRST FEDERAL S/L OF AUSTIN		21.69	24.25	51,240	Nil	10.47	14.74	111.80	10.19	0.00	1.64
FIRST FEDERAL SAVINGS-RALEIGH		23.88	17.00	17,680	0.57	NM	7.55	71.19	5.89	3.38	2.75
FIRST FINANCIAL CORPORATION		22.83	14.25	11,727	0.60	4.46	6.01	62.42	3.32	4.21	2.37
FIRST INDIANA FEDERAL SB		29.47	11.75	12,925	Nil	NM	NM	39.88	1.97	0.00	-0.33
FIRST MUTUAL SAVINGS	1	28.28	34.38	36,643	Nil	9.32	17.71	121.55	6.04	0.00	1.94
FIRST NATIONWIDE FINANCIAL		19.38	18.38	273,144	Nil	NM	NM	94.81	3.49	0.00	-6.80
FIRST NORTHERN S&L ASSOC.		20.57	11.13	8,900	0.05	4.38	4.36	54.08	4.09	0.45	2.55
FIRST SAVINGS ASSOC OF WISC.		25.91	11.00	13,750	Nil	NM	NM	42.46	1.13	0.00	0.00
FIRST SAVINGS BANK OF FL, FSB		28.89	26.63	55,406	0.10	15.53	16.06	92.17	8.24	0.38	1.66
FIRST SOUTHERN FEDERAL S&L		15.59	12.19	36,780	Nil	NM	NM	78.18	3.35	0.00	-0.99
FIRST WESTERN FINANCIAL CORP.		7.55	6.88	31,652	0.05	3.93	3.82	91.01	3.12	0.73	1.80
FIRSTSOUTH FEDERAL SAV.& LOAN		25.57	38.50	73,150	Nil	8.73	NM	150.58	6.02	0.00	0.59
FLORIDA FEDERAL S & L		30.57	15.81	147,842	Nil	7.28	NM	51.72	3.55	0.00	1.13

Publicly Traded Thrift Institutions
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization ($000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/ Book Value (%)	Market Price/ Net Assets (%)	Dividend Yield (%)	EPS ($0.00)
FORTUNE FINANCIAL GROUP		28.30	20.00	48,300	Nil	NM	NM	70.68	3.28	0.00	-0.47
FREEDOM S&L		14.93	10.00	28,750	Nil	NM	NM	66.96	1.51	0.00	-7.73
FRONTIER SAVINGS ASSOCIATION	1	2.85	3.06	7,226	Nil	8.31	9.75	107.48	3.18	0.00	0.31
GEORGIA FEDERAL BANK		18.51	9.13	71,822	Nil	NM	NM	49.31	3.09	0.00	-1.73
GERMANIA FEDERAL S&L	1	18.04	10.00	7,250	0.10	4.15	NM	55.44	1.63	1.00	0.64
GIBRALTER SAVINGS	1	32.60	25.50	180,999	Nil	3.86	9.15	78.22	4.64	0.00	2.78
GLENDALE FEDERAL S & L ASSN		28.00	7.31	153,895	Nil	3.15	NM	26.12	1.58	0.00	0.20
GRAND RAPIDS FEDERAL SB		14.81	8.13	9,116	Nil	NM	NM	54.88	4.16	0.00	-0.61
GREAT AMERICAN FEDERAL SB		26.59	9.56	119,525	0.40	3.04	3.02	35.96	2.29	4.18	3.16
GREAT LAKES FEDERAL S&L ASSOC.		19.25	7.50	27,090	Nil	4.50	6.93	38.95	1.52	0.00	1.08
GREAT SOUTHERN FEDERAL SB		22.07	9.25	16,650	Nil	5.19	NM	41.92	2.01	0.00	1.00
GREAT WESTERN FED. SAV. BANK		21.53	10.63	23,375	0.12	4.82	7.53	49.35	4.48	1.13	1.41
GUARANTEE FINANCIAL CORP		10.27	6.13	36,995	Nil	NM	NM	59.64	1.56	0.00	-1.79
HAWTHORNE FINANCIAL		38.84	22.50	19,485	0.95	4.33	4.67	57.93	6.02	4.22	4.81
HERITAGE FEDERAL S&L ASSOC.		16.66	15.00	29,010	Nil	NM	NM	90.03	4.86	0.00	-0.28
HOME FEDERAL - TUCSON		21.28	14.00	39,228	Nil	4.81	NM	65.80	3.62	0.00	-0.18
HOME FEDERAL OF THE ROCKIES		21.62	14.25	7,125	Nil	3.58	5.60	65.90	3.50	0.00	2.54
HOME FEDERAL S&L - SAN DIEGO		29.91	13.06	244,259	Nil	5.67	6.25	43.67	3.59	0.00	2.09
HOME FEDERAL S&L OF MERIDIAN		17.07	15.75	7,087	0.24	NM	NM	92.28	12.38	1.52	0.61
HOME FEDERAL S&L, ATLANTA		10.92	12.25	11,417	Nil	5.18	8.57	112.16	9.68	0.00	1.43
HOME FEDERAL SAVINGS BANK-MA		19.86	6.63	3,975	Nil	NM	NM	33.35	1.33	0.00	-6.30
HOME FEDERAL SAVINGS BANK-MD		22.28	11.25	4,477	Nil	NM	NM	50.50	3.43	0.00	0.43
HOWARD SAVINGS BANK		37.90	14.81	81,466	Nil	NM	NM	39.08	2.25	0.00	0.44
INTERNATIONAL S&L		23.31	8.50	6,349	Nil	NM	NM	36.46	1.60	0.00	1.02
INVESTORS SAVINGS		3.20	3.13	5,943	Nil	6.53	NM	97.78	1.03	0.00	-0.93
LAND OF LINCOLN S&L		16.92	9.25	23,245	0.25	NM	NM	54.66	3.48	2.70	0.34
LANDMARK SAVINGS ASSOCIATION		29.17	6.69	10,030	Nil	1.48	1.44	22.92	0.84	0.00	4.62
LIBERTY FEDERAL S&L - GA		21.46	12.38	13,612	Nil	NM	NM	57.68	3.23	0.00	-0.39
LIBERTY FEDERAL S&L - PA		26.33	10.25	9,030	Nil	5.44	5.90	38.93	3.02	0.00	1.73
LOCAL FEDERAL S&L		31.38	18.50	32,134	Nil	NM	NM	58.96	4.25	0.00	0.09
MAGNET BANK		22.52	9.63	7,700	Nil	2.70	NM	42.74	1.47	0.00	-0.12
MERCHANTS COOOPERATIVE BANK		29.13	10.44	8,349	Nil	1.14	3.98	35.83	2.86	0.00	2.62
MERCHANTS SAVINGS BANK		31.21	17.63	23,265	0.80	6.32	6.32	56.47	5.56	4.54	2.79
METROPOLITAN FEDERAL S&L		26.49	10.19	21,728	0.30	2.87	3.32	38.45	1.73	2.94	3.07
MID STATE FEDERAL S & L		24.53	22.38	30,183	0.40	11.41	15.59	91.21	5.35	1.79	1.43
MORRIS COUNTY SAVINGS BANK		23.85	13.13	16,248	Nil	10.07	NM	55.04	1.95	0.00	0.40
NC FEDERAL S&L	1	13.10	7.50	5,775	Nil	NM	NM	57.25	1.09	0.00	-4.01
NEW HAMPSHIRE SAVINGS BANK		30.97	17.69	27,644	0.51	5.32	7.70	57.11	6.39	2.88	2.29
NEWORLD BANK		28.26	9.88	35,767	Nil	NM	NM	34.94	3.07	0.00	0.58
NORTHEAST SAVINGS, FA		31.81	8.69	43,956	Nil	NM	NM	27.31	1.30	0.00	.00
PACIFIC FIRST FEDERAL SB		25.31	9.69	72,458	Nil	NM	NM	38.28	3.07	0.00	-0.02
PENINSULA FEDERAL S&L		16.69	11.63	12,787	Nil	NM	NM	69.64	2.53	0.00	-2.25

Exhibit IV-4

Publicly Traded Thrift Institutions
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization (\$000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/ Book Value (%)	Market Price/ Net Assets (%)	Dividend Yield (%)	EPS (\$0.00)
PHILA. SAVINGS FUND SOCIETY		23.47	8.06	282,685	Nil	NM	NM	34.35	2.37	0.00	-0.79
PONCE FEDERAL BANK F.S.B.		16.19	6.94	10,953	Nil	2.03	2.43	42.84	2.33	0.00	2.85
PROGRESSIVE SAVINGS & LOAN ASN	2	1.75	2.94	12,558	Nil	NM	NM	167.64	3.55	0.00	-0.01
PROVIDENT INST. FOR SAVINGS	1	24.80	16.19	60,701	Nil	NM	NM	65.26	6.08	0.00	-0.13
PRUDENTIAL BANK		21.13	8.38	6,875	Nil	2.56	NM	39.64	3.50	0.00	-0.41
PRUDENTIAL FINANCIAL SERVICES		20.77	10.25	26,147	Nil	NM	NM	49.34	3.54	0.00	0.81
ROYAL PALM SAVINGS ASSOC.	2	4.50	6.94	16,301	Nil	6.18	6.40	154.26	26.09	0.00	1.08
SAVERS BANCORP, INC.		24.45	12.25	14,700	Nil	7.71	NM	50.11	5.56	0.00	1.22
SAVERS FEDERAL S&L ASSN.		24.28	20.63	24,750	Nil	3.48	3.46	84.94	2.95	0.00	5.96
SAVINGS BANK OF PUGET SOUND		28.10	19.25	52,995	0.66	5.55	6.96	68.50	7.08	3.43	2.77
SECOND NATIONAL BLDG. & LOAN	2	8.38	13.25	18,748	0.75	6.62	7.00	158.11	8.07	5.66	1.89
SHORELINE SAVINGS		14.37	13.06	19,671	0.10	4.17	4.18	90.93	5.22	0.77	3.12
SOCIETY FOR SAVINGS		27.93	12.06	54,279	Nil	4.33	NM	43.19	2.36	0.00	0.58
SOONER FEDERAL S&L	1	32.90	24.38	49,749	Nil	NM	NM	74.09	3.33	0.00	-1.37
SOUTH BOSTON SAVINGS BANK		23.85	16.13	45,956	0.14	5.16	5.29	67.61	6.60	0.87	3.05
SUNRISE S&L ASSOCIATION	2	21.88	27.50	51,150	Nil	4.35	5.21	125.69	5.87	0.00	5.27
TEXAS FEDERAL FINANCIAL	1	22.04	37.00	66,822	Nil	9.43	20.58	167.88	4.76	0.00	1.80
UNION WARREN SAVINGS BANK		28.77	10.06	18,222	Nil	NM	NM	34.97	2.89	0.00	0.43
UNITED BANK		28.90	9.25	8,140	Nil	NM	5.48	32.01	2.81	0.00	1.69
UNITED BANK F.S.B. - CALIF.		10.29	9.13	13,541	Nil	3.97	6.33	88.67	2.75	0.00	1.44
UNITED FEDERAL BANK, FSB		20.90	10.75	19,350	0.13	NM	NM	51.45	5.71	1.21	1.04
UNITED FINANCIAL GROUP		8.47	6.63	53,801	Nil	NM	NM	78.22	1.54	0.00	-0.36
UNITED FIRST FEDERAL S&L		22.57	19.75	56,287	Nil	NM	NM	87.51	4.17	0.00	-1.37
UNIVERSITY FEDERAL SB		16.10	6.38	12,227	Nil	5.72	NM	39.59	2.46	0.00	0.47
VALLEY FEDERAL S&L		33.51	12.25	31,886	Nil	2.90	NM	36.56	1.40	0.00	0.85
VERMONT FEDERAL BANK		21.59	10.50	8,820	Nil	NM	NM	48.63	3.76	0.00	0.82
VIRGINIA BEACH FEDERAL S&L		6.46	7.88	15,253	Nil	7.55	8.55	121.83	4.34	0.00	0.92
VIRGINIA FIRST SAVINGS		12.80	4.13	4,677	Nil	4.05	NM	32.23	1.59	0.00	0.56
WASHINGTON FEDERAL S&L		24.70	15.75	64,260	0.55	3.06	3.32	63.78	7.30	3.49	4.74
WASHINGTON MUTUAL SB		30.94	9.19	56,169	Nil	NM	NM	29.70	1.65	0.00	0.46
WESTCHESTER FIN. SERV. CORP.		15.63	9.38	17,343	Nil	2.29	5.84	59.99	2.35	0.00	1.60
WESTERN FEDERAL S&L		22.73	8.75	28,175	Nil	1.82	NM	38.50	2.55	0.00	0.72
WESTSIDE BANCORPORATION INC.		15.87	10.13	19,379	Nil	3.63	3.52	63.81	5.22	0.00	2.87
YORK FEDERAL SAVINGS & LOAN	2	24.62	11.13	8,900	Nil	5.34	NM	45.19	1.87	0.00	1.03
ALL THRIFT AVERAGE						4.830	6.177	61.70	3.44	2.69	
ALL THRIFT MEDIAN						4.330	5.480	57.37	3.04	2.91	
NYSE - AVERAGE						5.455	8.307	74.76	3.12	4.05	
NYSE - MEDIAN						4.710	9.150	75.87	2.84	4.57	
AMEX - AVERAGE						3.877	4.315	91.34	2.86	3.48	

Exhibit IV-5

Publicly Traded Thrift Institutions
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization (#000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/Book Value (%)	Market Price/Net Assets (%)	Dividend Yield (%)	EPS (#0.00)
AMEX - MEDIAN						3.045	4.315	88.68	2.30	3.48	
OTC - AVERAGE						4.801	5.910	59.19	3.50	2.25	
OTC - MEDIAN						4.355	5.540	54.08	3.07	1.79	
CALIFORNIA COMPANIES						4.189	5.729	70.66	2.87	3.30	
TEXAS COMPANIES						10.470	14.740	100.42	5.29	0.00	
FLORIDA COMPANIES						9.058	14.983	75.19	3.77	2.24	
NEW ENGLAND COMPANIES						4.981	5.587	50.80	4.55	2.48	
MID-ATLANTIC COMPANIES						4.426	4.908	41.31	1.89	1.05	
SOUTHEAST COMPANIES						4.712	6.775	62.39	3.65	2.45	
SOUTHWEST COMPANIES						8.730	0.000	93.33	4.50	0.00	
MID-WEST COMPANIES						3.256	4.498	49.38	2.60	2.10	
NORTHWEST COMPANIES						4.257	4.972	53.40	3.97	2.20	
WEST COMPANIES						4.193	5.732	67.28	3.33	3.76	
THRIFT AVERAGES											
ASSETS LESS THAN #500 MILLION						4.842	5.604	56.95	3.99	2.89	
ASSETS #500 MIL. TO #1 BIL.						6.005	7.668	68.38	4.40	2.14	
ASSETS GREATER THAN #1 BIL.						4.144	5.623	61.63	2.57	2.89	
RECENTLY CONVERTED THRIFTS											
LAST THREE MONTHS						4.900	4.511	45.51	2.87	0.00	
LAST SIX MONTHS						5.032	5.391	55.65	3.49	0.82	
LAST NINE MONTHS						4.870	5.573	54.38	3.34	1.24	
LAST TWELVE MONTHS						4.822	5.570	54.50	3.33	1.24	

Exhibit V

Publicly Traded Savings and Loan
Statistical Summary of
Pricing Information

Institution	Notes	Book Value Per Share	Market Price 5/16/84	Market Capitalization ($000)	Dividend Per Share	Reported P/E Ratio	Adjusted* P/E Ratio	Market Price/ Book Value (%)	Market Price/ Net Assets (%)	Dividend Yield (%)
CENTRAL PENNSYLVANIA SAVINGS		19.80	8.50	5,950	Nil	NM	NM	42.92	2.48	0.00
COMMUNITY SHARES, LTD.		20.78	8.50	6,375	Nil	NM	NM	40.91	2.98	0.00
FIRST FED. S/L OF CHARLESTON		20.05	13.63	12,589	Nil	NM	NM	67.95	2.47	0.00
FIRST FEDERAL - ROANOKE		26.68	15.00	15,000	Nil	NM	NM	56.23	4.02	0.00
FIRST FEDERAL SAVINGS-RALEIGH		23.88	17.00	17,680	0.57	NM	7.55	71.19	5.89	3.38
FIRST FINANCIAL CORPORATION		22.83	14.25	11,727	0.60	4.46	6.01	62.42	3.32	4.21
FIRST NORTHERN S&L ASSOC.		20.57	11.13	8,900	0.05	4.38	4.36	54.08	4.09	0.45
HOME FEDERAL OF THE ROCKIES		21.62	14.25	7,125	Nil	3.58	5.60	65.90	3.50	0.00
VIRGINIA FIRST SAVINGS		12.80	4.13	4,677	Nil	4.05	NM	32.23	1.59	0.00
RIDGEWAY SAVINGS		5.48			0.00	NM	NM	182.58	4.01	0.00
RIDGEWAY SAVINGS - P		7.02	10.00	325	0.00	NM	NM	142.54	3.99	0.00
PUBLIC GROUP AVERAGE						4.117	5.000	54.87	3.37	2.68
PUBLIC GROUP MEDIAN						4.215	5.805	56.23	3.32	3.38

1 Denotes companies where market price is substantially influenced by merger or potential merger activity; Averages exclude these companies.
2 Denotes companies with unusual market and operating conditions; Averages exclude these companies.
A Companies paying dividends
P Pro forma; Last 12 months earnings per share calculated on a pro forma basis
Nil No dividends reported
NM Excludes associations with trailing 12 months earnings per share below 5% of latest reported net worth per share
* Excludes non-operating and/or non-recurring items

SOURCES: Company Financial Statements; TFC calculations

Exhibit VI

Comparison of Selected Financial Ratios

Name of Institution	St	5 Yr Compound Annual Growth Rates: Assets	Savings	Net Worth	Balance Sheet Ratios (Latest Data Available): Net Worth/ Assets	Net Worth/ Deposits	Tangible NW/ Deposits	Net Worth/ Dep & Debt	Debt/ Deposits	Debt/ Assets	Earn Assets/ Int Bear Lia	Liquid Assets/ Assets	% of Assets (Latest FY): Scheduled Items	Goodwill
CENTRAL PENNSYLVANIA SAVINGS	PA	10.66	11.70	1.92	5.78	6.42	5.14	6.29	2.16	1.94	74.03	0.00	1.43	1.29
COMMUNITY SHARES, LTD.	WI	9.07	8.85	1.29	7.29	8.62	8.62	8.21	4.99	4.22	86.00	0.00	1.70	0.00
FIRST FED. S/L OF CHARLESTON	SC	0.77	8.54	-9.53	3.63	4.32	4.32	3.86	12.05	10.11	103.41	13.40	1.00	0.00
FIRST FEDERAL - ROANOKE	VA	6.60	7.93	-2.85	7.14	7.96	7.96	7.86	1.28	1.15	107.24	7.79	2.60	0.00
FIRST FEDERAL SAVINGS-RALEIGH	NC	6.66	5.57	1.60	8.27	9.88	9.88	9.26	6.67	5.58	107.68	6.76	0.59	0.00
FIRST FINANCIAL CORPORATION	WI	14.91	17.72	10.03	5.32	6.11	5.24	5.91	3.29	2.86	98.02	14.95	1.74	0.76
FIRST NORTHERN S&L ASSOC.	WI	6.47	7.37	1.27	7.55	8.27	8.27	8.25	0.25	0.23	104.87	13.01	1.05	0.00
HOME FEDERAL OF THE ROCKIES	CO	13.00	12.22	1.87	5.31	6.99	6.99	5.79	20.00	15.00	104.31	6.44	1.67	0.00
VIRGINIA FIRST SAVINGS	VA	0.25	0.43	-4.70	4.94	6.58	6.58	5.44	20.97	15.75	104.06	12.32	0.00	1.07
RIDGEWAY SAVINGS	MD	10.03	10.73	-10.03	2.20	2.27	2.27	2.27	0.00	0.00	100.23	14.40	0.00	0.00
RIDGEWAY SAVINGS - P	MD	9.95	10.73	-0.93	2.00	2.91	2.91	2.91	0.00	0.00	100.87	14.92		
PUBLIC GROUP - 9 COMPANIES		9.59	9.90	0.48	6.14	7.24	7.00	6.76	8.05	6.40	99.03	10.78	1.49	1.04

Comparison of Selected Financial Ratios

YEARLY COMPARISONS

Name of Institution	St	Assets (\$000)	Reported Net Income	Adjusted Net Income*	Gross Income	Non-Int Income	Interest Income	Interest Expense	Net Int. Income	Operating Expenses	Yield on Loans	Yld on Earning Assets	Cost of Savings	Cost of Funds	Yld/Cost Spread
			Percent of Average Assets								Yields and Costs (%)				
CENTRAL PENNSYLVANIA SAVINGS	PA	220,455	0.26	.00	10.63	0.39	9.85	9.23	0.62	1.17	10.19	10.27	10.05	10.27	.00
COMMUNITY SHARES, LTD.	WI	197,181	0.03	-0.37	11.87	0.53	10.67	9.87	0.80	1.97	11.58	11.53	11.01	10.93	0.60
FIRST FED. S/L OF CHARLESTON	SC	520,840	-0.29	-0.24	10.64	0.27	10.28	9.33	0.96	1.57	10.09	10.60	9.83	9.99	0.62
FIRST FEDERAL - ROANOKE	VA	363,065	-0.38	-0.46	10.54	0.33	9.98	9.73	0.25	1.09	10.24	10.27	10.93	10.89	-0.62
FIRST FEDERAL SAVINGS-RALEIGH	NC	274,453	0.23	0.20	11.00	0.61	10.28	9.01	1.27	1.63	10.60	10.70	9.97	10.20	0.50
FIRST FINANCIAL CORPORATION	WI	353,124	0.52	0.62	14.53	1.40	12.68	9.88	2.80	3.24	13.94	13.92	11.01	10.96	2.96
FIRST NORTHERN S&L ASSOC.	WI	218,357	0.96	0.95	11.80	0.49	11.27	8.81	2.46	1.60	11.71	11.74	9.73	9.73	2.02
HOME FEDERAL OF THE ROCKIES	CO	203,707	1.02	0.62	12.26	1.18	10.50	8.73	1.77	2.18	9.26	11.09	9.88	9.59	1.50
VIRGINIA FIRST SAVINGS	VA	284,583	0.20	-0.15	10.61	0.36	9.74	9.17	0.58	1.36	10.71	10.36	10.02	9.97	0.39
RIDGEWAY SAVINGS	MD	7,923	-0.91	-0.91	10.87	0.08	10.55	10.00	0.55	2.05	9.50	NA	NA	9.51	-9.51
RIDGEWAY SAVINGS - P	MD	7,973	-0.85	-0.85	20.77	0.05	10.52	9.93	0.60	2.04					
PUBLIC GROUP - 9 COMPANIES		292,862	0.29	0.13	11.54	0.62	10.58	9.31	1.28	1.76	11.01	11.16	10.27	10.28	0.88

* Excludes non-operating and/or non-recurring items

Comparison of Selected Financial Ratios

QUARTERLY COMPARISONS

Name of Institution	St	Assets (\$000)	Percent of Average Assets: Reported Net Income	Adjusted Net Income*	Gross Income	Non-Int Income	Interest Income	Interest Expense	Net Int. Income	Operating Expenses	Yields and Costs (%): Yield on Loans	Yld on Earning Assets	Cost of Savings	Cost of Funds	Yld/Cost Spread
CENTRAL PENNSYLVANIA SAVINGS	PA	239,623	0.39	0.39	10.49	0.15	10.34	8.86	1.48	1.25	14.73	12.62	9.83	9.66	2.96
COMMUNITY SHARES, LTD.	WI	213,748	0.18	0.18	0.74	0.74	NA	NA	NA	2.23	NA	NA	NA	NA	NA
FIRST FED. S/L OF CHARLESTON	SC	510,586	0.25	0.26	11.18	0.23	10.95	9.23	1.71	1.60	11.53	11.27	9.81	9.85	1.42
FIRST FEDERAL - ROANOKE	VA	373,476	-0.13	-0.14	10.77	0.47	10.29	9.75	0.54	1.21	10.61	10.56	10.00	10.75	-0.19
FIRST FEDERAL SAVINGS-RALEIGH	NC	300,248	-1.93	0.82	11.65	0.99	10.66	8.35	2.31	1.98	11.24	11.06	9.29	9.40	1.66
FIRST FINANCIAL CORPORATION	WI	353,124	0.74	0.54	13.25	1.29	11.53	8.91	2.62	3.06	12.96	12.63	9.80	9.87	2.76
FIRST NORTHERN S&L ASSOC.	WI	217,867	0.80	0.83	11.63	0.46	11.17	8.56	2.61	1.79	11.77	11.63	9.39	9.39	2.24
HOME FEDERAL OF THE ROCKIES	CO	203,707	0.46	0.09	12.06	0.89	10.65	9.06	1.60	2.49	10.25	11.20	9.97	9.88	1.33
VIRGINIA FIRST SAVINGS	VA	293,885	0.21	0.76	10.72	0.54	10.17	9.02	1.16	0.63	11.03	10.77	9.36	9.84	0.92
RIDGEWAY SAVINGS	MD	8,100	0.45	0.45	11.06	0.11	2.65	2.59	0.06	1.70	11.40	NA	NA	9.50	-9.50
RIDGEWAY SAVINGS - P	MD	8,150	0.52	0.52	11.07	0.11	2.66	2.57	0.08	1.69					
PUBLIC GROUP - 9 COMPANIES		300,687	0.11	0.41	10.28	0.64	10.72	8.97	1.75	1.80	11.76	11.47	9.78	9.83	1.64

NA Not Available

* Excludes non-operating and/or non-recurring items

Note: Data as of latest quarter available

Exhibit VI-4

Comparison of Selected Financial Ratios
Profitability Analysis Based on Average Assets

Name of Institution	St	Last 5 Years Reported	Last 5 Years Adjusted*	Last 3 Years Reported	Last 3 Years Adjusted*	Last Fiscal Year Reported	Last Fiscal Year Adjusted*	Last 12 Mts Reported	Last 12 Mts Adjusted*	Last Qtr Annualized Reported	Last Qtr Annualized Adjusted*
CENTRAL PENNSYLVANIA SAVINGS	PA	0.49	0.43	0.23	0.13	0.26	.00	0.50	0.50	0.39	0.39
COMMUNITY SHARES, LTD.	WI	0.53	0.41	0.26	0.05	0.09	-0.37	0.30	0.17	0.10	0.18
FIRST FED. S/L OF CHARLESTON	SC	-0.05	0.10	-0.55	-0.35	-0.29	-0.24	0.04	0.07	0.25	0.26
FIRST FEDERAL - ROANOKE	VA	0.16	0.14	-0.33	-0.36	-0.30	-0.46	-0.29	-0.29	-0.13	-0.14
FIRST FEDERAL SAVINGS-RALEIGH	NC	0.51	0.49	0.12	0.11	0.23	0.20	0.13	0.82	-1.93	0.82
FIRST FINANCIAL CORPORATION	WI	0.53	0.49	0.30	0.24	0.52	0.62	0.83	0.61	0.74	0.54
FIRST NORTHERN S&L ASSOC.	WI	0.49	0.48	0.30	0.29	0.96	0.95	0.97	0.97	0.80	0.83
HOME FEDERAL OF THE ROCKIES	CO	0.47	0.34	0.06	-0.11	1.02	0.62	1.06	0.67	0.46	0.09
VIRGINIA FIRST SAVINGS	VA	-0.04	-0.12	-0.54	-0.67	0.20	-0.15	0.43	0.24	0.21	0.76
RIDGEWAY SAVINGS	MD	-0.12	-0.12	-0.78	-0.78	-0.91	-0.91	0.03	0.03	0.45	0.45
RIDGEWAY SAVINGS - P	MD	-0.06	-0.06	-0.72	-0.72	-0.85	-0.85	0.11	0.11	0.52	0.52
PUBLIC GROUP: 9 COMPANIES		0.34	0.31	-0.02	-0.07	0.29	0.13	0.44	0.42	0.11	0.41

* Excludes non-operating and/or non-recurring Items

Comparison of Selected Financial Ratios
Profitability Analysis Based on Average Net Worth

Name of Institution	St	Last 5 Years Reported	Last 5 Years Adjusted*	Last 3 Years Reported	Last 3 Years Adjusted*	Last Fiscal Year Reported	Last Fiscal Year Adjusted*	Last 12 Mts Reported	Last 12 Mts Adjusted*	Last Qtr Annualized Reported	Last Qtr Annualized Adjusted*
CENTRAL PENNSYLVANIA SAVINGS	PA	5.94	5.09	2.99	1.58	3.83	-0.01	8.65	8.65	6.61	6.61
COMMUNITY SHARES, LTD.	WI	5.24	3.78	2.76	0.24	1.12	-4.61	4.03	2.26	2.41	2.41
FIRST FED. S/L OF CHARLESTON	SC	-3.06	-0.16	-11.84	-7.69	-7.83	-6.56	1.06	1.93	7.25	7.41
FIRST FEDERAL - ROANOKE	VA	0.93	0.68	-4.07	-4.39	-4.87	-5.92	-3.84	-3.86	-1.84	-1.93
FIRST FEDERAL SAVINGS-RALEIGH	NC	4.57	4.41	1.14	1.03	2.44	2.10	1.45	9.40	-22.45	9.54
FIRST FINANCIAL CORPORATION	WI	8.31	7.67	5.56	4.55	9.93	11.90	15.88	11.79	14.20	10.26
FIRST NORTHERN S&L ASSOC.	WI	5.93	5.89	4.16	4.09	13.20	13.02	13.09	13.15	10.69	11.18
HOME FEDERAL OF THE ROCKIES	CO	6.67	4.43	2.12	-1.01	19.39	11.69	20.04	12.80	0.30	1.68
VIRGINIA FIRST SAVINGS	VA,	-1.43	-2.77	-7.91	-10.15	3.00	-2.86	8.15	4.52	4.13	15.26
RIDGEWAY SAVINGS	MD	-5.40	-5.40	-20.29	-20.29	-30.62	-30.62	0.05	1.13	19.73	19.73
RIDGEWAY SAVINGS - P	MD	-3.25	-3.25	-15.66	-15.66	-23.36	-23.36	3.52	3.52	18.06	18.06
PUBLIC GROUP: 9 COMPANIES		3.68	3.22	-0.57	-1.31	4.56	2.00	7.61	6.74	3.25	6.94

* Excludes non-operating and/or non-recurring items

Comparison of Selected Financial Ratios

		Per Share Data						Market Data									
Name of Institution	St	12 Mts EPS	Last Qtr EPS*	Reported Bk Value	Tangible Bk Value	Net Assets	Latest Dividend Rept	Market Price 5/16/84	Market Capital ($000)	Reported P/E 12 Mts	Adjusted P/E 12 Mts	Reported P/E Last Qtr*	Adjusted P/E Last Qtr*	Market Price/ Book Val	Market Price/ Assets	Div Yld (%)
CENTRAL PENNSYLVANIA SAVINGS	PA	1.71	1.30	19.00	15.84	342.32	Nil	8.50	5,950	4.96	4.96	NM	NM	42.92	2.48	0.00
COMMUNITY SHARES, LTD.	WI	0.47	0.50	20.78	20.78	285.00	Nil	8.50	6,375	NM	NM	NM	NM	40.91	2.98	0.00
FIRST FED. S/L OF CHARLESTON	SC	0.40	1.44	20.04	20.04	552.13	Nil	13.63	12,597	NM	NM	NM	NM	67.99	2.47	0.00
FIRST FEDERAL - ROANOKE	VA	-1.05	-0.52	26.68	26.68	373.48	Nil	15.00	15,000	NM	NM .	NM	NM	56.23	4.02	0.00
FIRST FEDERAL SAVINGS-RALEIGH	NC	2.25	2.35	23.88	23.88	288.70	0.57	17.00	17,600	NM	7.55	NM	NM	71.19	5.89	3.35
FIRST FINANCIAL CORPORATION	WI	2.37	2.31	22.83	19.59	429.07	0.60	14.25	11,727	4.46	6.01	NM	NM	62.41	3.32	4.21
FIRST NORTHERN S&L ASSOC.	WI	2.55	2.27	20.57	20.57	272.33	0.05	11.13	8,900	4.38	4.36	NM	NM	54.00	[illegible]	0.45
HOME FEDERAL OF THE ROCKIES	CO	2.54	0.36	21.62	21.62	407.41	Nil	14.25	7,125	3.58	5.60	NM	NM	65.90	3.50	0.00
VIRGINIA FIRST SAVINGS	VA	0.56	1.94	12.79	12.79	259.06	Nil	4.13	4,679	4.05	NM	NM	NM	32.24	1.59	0.00
RIDGEWAY SAVINGS	MD	0.06	1.11	5.48	5.48	249.23	0.00			NM	NM	9.03	9.03	182.50	4.01	0.00
RIDGEWAY SAVINGS - P	MD	0.25	1.29	7.02	7.02	250.77	0.00	10.00	325	NM	NM	7.74	7.74	142.54	3.99	0.00
PUBLIC GROUP - 9 COMPANIES		1.31	1.33	21.00	20.20	356.61	0.40	11.82	10,003	4.28	5.69	NM	NM	54.88	3.37	2.64
PUBLIC GROUP - MEDIAN														56.23	3.32	3.35

* Annualized
NM Not Meaningful

Sources: Company Financial Statements; TFC calculations

Exhibit VII

Publicly Traded Savings and Loans
Statistical Summary
Return on Average Net Assets
Based on Reported Net Income

Institution	Note	FY End	1979	1980	1981	1982	1983	Average Last 5 Yrs	Average Last 3 Yrs	Last 12 Mts	Last Quarter Annualized
CENTRAL PENNSYLVANIA SAVINGS		3	0.91	0.85	0.46	-0.03	0.26	0.49	0.23	0.50	0.39
COMMUNITY SHARES, LTD.		3	1.00	- 0.85	0.60	0.08	0.09	0.53	0.26	0.30	0.18
FIRST FED. S/L OF CHARLESTON		9	1.05	0.37	-0.12	-1.25	-0.29	-0.05	-0.55	0.04	0.25
FIRST FEDERAL - ROANOKE		9	1.20	0.62	0.27	-0.89	-0.38	0.16	-0.33	-0.29	-0.13
FIRST FEDERAL SAVINGS-RALEIGH		3	1.18	0.99	0.51	-0.37	0.23	0.51	0.12	0.13	-1.93
FIRST FINANCIAL CORPORATION		12	1.06	0.67	0.17	0.23	0.52	0.53	0.30	0.83	0.74
FIRST NORTHERN S&L ASSOC.		12	0.97	0.57	-0.18	0.11	0.96	0.49	0.30	0.97	0.80
HOME FEDERAL OF THE ROCKIES		12	1.30	0.88	-0.45	-0.41	1.02	0.47	0.06	1.06	0.46
VIRGINIA FIRST SAVINGS		6	0.83	0.58	0.05	-1.87	0.20	-0.04	-0.54	0.43	0.21
RIDGEWAY SAVINGS		7	1.07	0.65	-0.33	-1.10	-0.91	-0.12	-0.78	0.03	0.45
RIDGEWAY SAVINGS - P		7	1.13	0.70	-0.27	-1.04	-0.85	-0.06	-0.72	0.11	0.52
PUBLIC GROUP: 9 COMPANIES			1.06	0.71	0.15	-0.49	0.29	0.34	-0.02	0.44	0.11

* Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

FY End: 3- March 31, 6- June,30, 9- September 30, 12- December 31

Source: Company Financial Statements; TFC calculations

Publicly Traded Savings and Loans
Statistical Summary
Return on Average Net Assets
Based on Adjusted Net Income

Institution	Note	FY End	1979	1980	1981	1982	1983	Average Last 5 Yrs	Average Last 3 Yrs	Last 12 Mts	Last Quarter Annualized
CENTRAL PENNSYLVANIA SAVINGS		3	0.91	0.85	0.46	-0.07	.00	0.43	0.13	0.50	0.39
COMMUNITY SHARES, LTD.		3	1.00	0.89	0.58	-0.06	-0.37	0.41	0.05	0.17	0.18
FIRST FED. S/L OF CHARLESTON		9	1.12	0.44	-0.08	-0.74	-0.24	0.10	-0.35	0.07	0.26
FIRST FEDERAL - ROANOKE		9	1.17	0.61	0.26	-0.88	-0.46	0.14	-0.36	-0.29	-0.14
FIRST FEDERAL SAVINGS-RALEIGH		3	1.13	1.00	0.43	-0.29	0.20	0.49	0.11	0.82	0.82
FIRST FINANCIAL CORPORATION		12	1.08	0.64	0.01	0.00	0.62	0.49	0.24	0.61	0.54
FIRST NORTHERN S&L ASSOC.		12	0.97	0.57	-0.18	0.11	0.95	0.48	0.29	0.97	0.83
HOME FEDERAL OF THE ROCKIES		12	1.15	0.88	-0.43	-0.52	0.62	0.34	-0.11	0.67	0.09
VIRGINIA FIRST SAVINGS		6	0.83	0.58	-0.03	-1.81	-0.15	-0.12	-0.67	0.24	0.76
RIDGEWAY SAVINGS		7	1.07	0.65	-0.33	-1.10	-0.91	-0.12	-0.78	0.03	0.45
RIDGEWAY SAVINGS - P		7	1.13	0.70	-0.27	-1.04	-0.85	-0.06	-0.72	0.11	0.52
PUBLIC GROUP: 9 COMPANIES			1.04	0.72	0.11	-0.46	0.13	0.31	-0.07	0.42	0.41

* Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

FY End: 3- March 31, 6- June,30, 9- September 30, 12- December 31

Source: Company Financial Statements; TFC calculations

Publicly Traded Savings and Loans
Statistical Summary
Return on Average Net Worth
Based on Reported Net Income

Institution	Note	FY End	1979	1980	1981	1982	1983	Average Last 5 Yrs	Average Last 3 Yrs	Last 12 Mts	Last Quarter Annualized
CENTRAL PENNSYLVANIA SAVINGS		3	10.75	9.98	5.57	-0.41	3.83	5.94	2.99	8.65	6.61
COMMUNITY SHARES, LTD.		3	9.58	8.32	6.21	0.96	1.12	5.24	2.76	4.03	2.41
FIRST FED. S/L OF CHARLESTON		9	14.82	5.42	-1.89	-25.81	-7.83	-3.06	-11.84	1.06	7.25
FIRST FEDERAL - ROANOKE		9	11.03	5.81	2.65	-9.98	-4.07	0.93	-4.07	-3.84	-1.84
FIRST FEDERAL SAVINGS-RALEIGH		3	10.73	8.69	4.55	-3.57	2.44	4.57	1.14	1.45	-22.45
FIRST FINANCIAL CORPORATION		12	15.81	9.04	2.49	4.28	9.93	8.31	5.56	15.00	14.20
FIRST NORTHERN S&L ASSOC.		12	10.70	6.47	-2.21	1.47	13.20	5.93	4.16	13.09	10.69
HOME FEDERAL OF THE ROCKIES		12	16.16	10.83	-6.15	-6.07	19.39	6.67	2.12	20.04	8.30
VIRGINIA FIRST SAVINGS		6	9.78	6.79	0.58	-28.12	3.00	-1.43	-7.91	8.15	4.13
RIDGEWAY SAVINGS		7	21.78	12.10	-6.12	-24.13	-30.62	-5.40	-20.29	0.05	19.73
RIDGEWAY SAVINGS - P		7	19.34	11.37	-4.30	-19.32	-23.36	-3.25	-15.66	3.52	18.06
PUBLIC GROUP: 9 COMPANIES			12.15	7.93	1.31	-7.56	4.56	3.68	-0.57	7.61	3.25

* Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

FY End: 3- March 31, 6- June,30, 9- September 30, 12- December 31

Source: Company Financial Statements; TFC calculations

Publicly Traded Savings and Loans
Statistical Summary
Return on Average Net Worth
Based on Adjusted Net Income

Institution	Note	FY End	1979	1980	1981	1982	1983	Average Last 5 Yrs	Average Last 3 Yrs	Last 12 Mts	Last Quarter Annualized
CENTRAL PENNSYLVANIA SAVINGS		3	10.75	9.98	5.62	-0.87	-0.01	5.09	1.58	8.65	6.61
COMMUNITY SHARES, LTD.		3	9.57	8.63	6.04	-0.71	-4.61	3.78	0.24	2.26	2.41
FIRST FED. S/L OF CHARLESTON		9	15.82	6.42	-1.28	-15.22	-6.56	-0.16	-7.69	1.93	7.41
FIRST FEDERAL - ROANOKE		9	10.81	5.79	2.62	-9.88	-5.92	0.68	-4.39	-3.86	-1.93
FIRST FEDERAL SAVINGS-RALEIGH		3	10.20	8.75	3.78	-2.79	2.10	4.41	1.03	9.40	9.54
FIRST FINANCIAL CORPORATION		12	16.03	8.67	0.16	1.59	11.90	7.67	4.55	11.79	10.26
FIRST NORTHERN S&L ASSOC.		12	10.70	6.47	-2.21	1.47	13.02	5.89	4.09	13.15	11.18
HOME FEDERAL OF THE ROCKIES		12	14.33	10.86	-5.89	-6.84	11.69	4.43	-1.01	-12.00	1.68
VIRGINIA FIRST SAVINGS		6	9.80	6.79	-0.41	-27.20	-2.86	-2.77	-10.15	4.52	15.26
RIDGEWAY SAVINGS		7	21.78	12.10	-6.12	-24.13	-30.62	-5.40	-20.29	1.13	19.73
RIDGEWAY SAVINGS - P		7	19.34	11.37	-4.30	-19.32	-23.36	-3.25	-15.66	3.52	18.06
PUBLIC GROUP: 9 COMPANIES			12.00	8.04	0.94	-6.94	2.08	3.22	-1.31	6.74	6.94

* Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

FY End: 3- March 31, 6- June 30, 9- September 30, 12- December 31

Source: Company Financial Statements; TFC calculations

Publicly Traded Savings and Loans
Price/Earnings Ratios
Based on Reported Net Income
And Return on Average Net Assets

Institution	Market Price 5/16/84	Return on Average Net Assets: Avg 5 Yrs	Avg 3 Yrs	Last 12 Months	Latest Quarter*	Earnings Per Share: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*	Price/Earnings Ratios: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*
CENTRAL PENNSYLVANIA SAVINGS	8.50	0.49	0.23	0.50	0.39	1.53	0.61	1.71	1.30	5.54	NM	4.97	6.54
COMMUNITY SHARES, LTD.	8.50	0.53	0.26	0.30	0.18	1.38	0.60	0.83	0.50	6.16	NM	NM	NM
FIRST FED. S/L OF CHARLESTON	13.63	-0.05	-0.53	0.04	0.25	-0.22	-2.78	0.21	1.41	NM	NM	NM	9.66
FIRST FEDERAL - ROANOKE	15.00	0.16	-0.33	-0.29	-0.13	0.50	-1.10	-1.04	-0.49	NM	NM	NM	NM
FIRST FEDERAL SAVINGS-RALEIGH	17.00	0.51	0.12	0.13	-1.93	1.17	0.30	0.35	-5.53	14.53	NM	NM	NM
FIRST FINANCIAL CORPORATION	14.25	0.53	0.30	0.83	0.74	1.64	1.11	3.19	3.19	8.69	NM	4.47	4.46
FIRST NORTHERN S&L ASSOC.	11.13	0.49	0.30	0.97	0.80	1.13	0.74	2.53	2.17	9.85	NM	4.39	5.13
HOME FEDERAL OF THE ROCKIES	14.25	0.47	0.06	1.06	0.46	1.48	0.19	3.98	1.77	9.60	NM	3.58	8.03
VIRGINIA FIRST SAVINGS	4.13	-0.04	-0.54	0.43	0.21	-0.09	-1.19	1.02	0.53	NM	NM	4.06	NM
RIDGEWAY SAVINGS		-0.12	-0.78	0.03	0.45	-0.31	-1.94	0.07	1.12	NM	NM	NM	8.90
RIDGEWAY SAVINGS - P	10.00	-0.06	-0.72	0.11	0.52	-0.16	-1.80	0.27	1.31	NM	NM	NM	7.63

		# Cmpy	High	Low	Average	Median
PUBLIC GROUP: 9 COMPANIES	5 YEAR	6	14.53	5.55	9.07	9.27
	3 YEAR	0	0.00	0.00	0.00	0.00
	LAST 12 M	5	4.97	3.59	4.30	4.48
	LAST QTR	5	9.66	4.47	6.77	6.54

* Annualized

** Pro Forma; Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

NM Excludes those companies with earnings per share below 5% of latest reported book value per share

Source: Company Financial Statements; TFC calculations

Exhibit VIII-2

Publicly Traded Savings and Loans
Price/Earnings Ratios
Based on Adjusted Net Income
And Return on Average Net Assets

Institution	Market Price 5/16/84	Return on Average Net Assets: Avg 5 Yrs	Avg 3 Yrs	Last 12 Months	Latest Quarter*	Earnings Per Share: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*	Price/Earnings Ratios: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*
CENTRAL PENNSYLVANIA SAVINGS	8.50	0.43	0.13	0.50	0.39	1.35	0.35	1.71	1.30	6.29	NM	4.97	6.54
COMMUNITY SHARES, LTD.	8.50	0.41	0.05	0.17	0.18	1.07	0.11	0.46	0.50	7.97	NM	NM	NM
FIRST FED. S/L OF CHARLESTON	13.63	0.10	-0.35	0.07	0.26	0.46	-1.78	0.40	1.44	NM	NM	NM	9.44
FIRST FEDERAL - ROANOKE	15.00	0.14	-0.36	-0.29	-0.14	0.43	-1.18	-1.05	-0.52	NM	NM	NM	NM
FIRST FEDERAL SAVINGS-RALEIGH	17.00	0.49	0.11	0.82	0.82	1.13	0.26	2.25	2.35	NM	NM	7.56	7.24
FIRST FINANCIAL CORPORATION	14.25	0.49	0.24	0.61	0.54	1.51	0.87	2.37	2.30	9.44	NM	6.02	6.18
FIRST NORTHERN S&L ASSOC.	11.13	0.48	0.29	0.97	0.83	1.12	0.73	2.55	2.27	9.91	NM	4.37	4.91
HOME FEDERAL OF THE ROCKIES	14.25	0.34	-0.11	0.67	0.09	1.07	-0.38	2.54	0.36	13.28	NM	5.61	NM
VIRGINIA FIRST SAVINGS	4.13	-0.12	-0.67	0.24	0.76	-0.24	-1.46	0.56	1.94	NM	NM	NM	2.12
RIDGEWAY SAVINGS		-0.12	-0.78	0.03	0.45	-0.31	-1.94	0.07	1.12	NM	NM	NM	8.90
RIDGEWAY SAVINGS - P	10.00	-0.06	-0.72	0.11	0.52	-0.16	-1.80	0.27	1.31	NM	NM	NM	7.63

		Number of Cmpy	High	Low	Average	Median
PUBLIC GROUP: 9 COMPANIES	5 YEAR	5	13.29	6.30	9.38	9.45
	3 YEAR	0	0.00	0.00	0.00	0.00
	LAST 12 M	5	7.56	4.37	5.71	5.62
	LAST QTR	6	9.44	2.13	6.00	6.37

* Annualized

** Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

NM Excludes those companies with earnings per share below 5% of latest reported book value per share

Source: Company Financial Statements; TFC calculations

Publicly Traded Savings and Loans
Price/Earnings Ratios
Based on Reported Net Income
And Return on Average Net Worth

Institution	Market Price 5/16/84	Return on Average Net Worth: Avg 5 Yrs	Avg 3 Yrs	Last 12 Months	Latest Quarter*	Earnings Per Share: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*	Price/Earnings Ratios: 5 Yrs	3 Yrs	Last 12 Mts	Latest Quarter*
CENTRAL PENNSYLVANIA SAVINGS	8.50	5.94	2.99	8.65	6.61	1.14	0.57	1.71	1.30	7.47	NM	4.96	6.53
COMMUNITY SHARES, LTD.	8.50	5.24	2.76	4.03	2.41	1.07	0.57	0.83	0.50	7.94	NM	NM	NM
FIRST FED. S/L OF CHARLESTON	13.63	-3.06	-11.84	1.06	7.25	-0.68	-2.86	0.22	1.41	NM	NM	NM	9.64
FIRST FEDERAL - ROANOKE	15.00	0.93	-4.07	-3.84	-1.84	0.25	-1.18	-1.04	-0.49	NM	NM	NM	NM
FIRST FEDERAL SAVINGS-RALEIGH	17.00	4.57	1.14	1.45	-22.45	1.04	0.28	0.35	-5.53	NM	NM	NM	NM
FIRST FINANCIAL CORPORATION	14.25	8.31	5.56	15.80	14.20	1.52	1.33	3.19	3.19	9.36	10.73	4.47	4.46
FIRST NORTHERN S&L ASSOC.	11.13	5.93	4.16	13.09	10.69	1.12	0.82	2.53	2.17	9.96	NM	4.39	5.13
HOME FEDERAL OF THE ROCKIES	14.25	6.67	2.12	20.04	8.30	1.31	0.46	3.98	1.78	10.90	NM	3.58	8.03
VIRGINIA FIRST SAVINGS	4.13	-1.43	-7.91	8.15	4.13	-0.19	-1.14	1.02	0.53	NM	NM	4.05	NM
RIDGEWAY SAVINGS		-5.40	-20.29	0.05	19.73	-0.30	-1.11	.00	1.00	NM	NM	NM	9.26
RIDGEWAY SAVINGS - P	10.00	-3.25	-15.66	3.52	18.06	-0.23	-1.10	0.25	1.27	NM	NM	NM	7.89

PUBLIC GROUP: 9 COMPANIES		Number Of Cmpy	High	Low	Average	Median
	5 YEAR	5	10.91	7.47	2.15	9.37
	3 YEAR	1	10.74	10.74	10.74	10.74
	LAST 12 M	5	4.97	3.59	4.30	4.47
	LAST QTR	5	9.64	4.47	6.76	6.53

* Annualized

** Pro Forma; Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

NM Excludes those companies with earnings per share below 5% of latest reported book value per share

Source: Company Financial Statements; TFC calculations

Exhibit VIII-4

Publicly Traded Savings and Loans
Price/Earnings Ratios
Based on Adjusted Net Income
And Return on Average Net Worth

Institution	Market Price 5/16/84	Return on Average Net Worth: Avg 5 Yrs	Avg 3 Yrs	Last 12 Months	Latest Quarter*	Earnings Per Share: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*	Price/Earnings Ratios: 5 Yrs	3 Yrs	Last 12 Months	Latest Quarter*
CENTRAL PENNSYLVANIA SAVINGS	8.50	5.09	1.58	8.63	6.61	0.98	0.30	1.71	1.30	8.72	NM	4.96	6.53
COMMUNITY SHARES, LTD.	6.50	3.78	0.24	2.26	2.41	0.77	0.05	0.47	0.50	NM	NM	NM	NM
FIRST FED. S/L OF CHARLESTON	13.63	-0.16	-7.69	1.93	7.41	-0.04	-1.05	0.40	1.44	NM	NM	NM	9.44
FIRST FEDERAL - ROANOKE	15.00	0.68	-4.39	-3.06	-1.93	0.19	-1.27	-1.05	-0.52	NM	NM	NM	NM
FIRST FEDERAL SAVINGS-RALEIGH	17.00	4.41	1.03	9.40	9.54	1.01	0.25	2.25	2.35	NM	NM	7.56	7.24
FIRST FINANCIAL CORPORATION	14.25	7.67	4.55	11.79	10.26	1.41	1.09	2.37	2.31	10.14	NM	6.02	6.17
FIRST NORTHERN S&L ASSOC.	11.13	5.09	4.09	13.15	11.18	1.11	0.81	2.55	2.27	10.02	NM	4.37	4.90
HOME FEDERAL OF THE ROCKIES	14.25	4.43	-1.01	12.00	1.68	0.87	-0.22	2.54	0.36	NM	NM	5.61	NM
VIRGINIA FIRST SAVINGS	4.13	-2.77	-10.15	4.52	15.26	-0.37	-1.47	0.56	1.94	NM	NM	NM	2.12
RIDGEWAY SAVINGS		-5.40	-20.29	1.13	19.73	-0.30	-1.11	0.06	1.08	NM	NM	NM	9.26
RIDGEWAY SAVINGS - P	10.00	-3.25	-15.66	3.52	18.06	-0.23	-1.10	0.25	1.27	NM	NM	NM	7.89

PUBLIC GROUP: 9 COMPANIES

	Number Of Cmpy	High	Low	Average	Median
5 YEAR	3	10.15	8.72	0.00	10.15
3 YEAR	0	0.00	0.00	0.00	0.00
LAST 12 M	5	7.56	4.37	5.71	5.61
LAST QTR	6	9.44	2.13	6.07	6.36

* Annualized

** Pro Forma: Assumes receipt and investment of conversion proceeds to yield 7% after taxes for periods prior to conversion

NM Excludes those companies with earnings per share below 5% of latest reported book value per share

Source: Company Financial Statements; TFC calculations

PRO FORMA ANALYSIS SHEET

NAME OF S & L: Ridgeway Savings and Loan Association
DATE OF APPRAISAL LETTER TO S & L'S BOARD: June 5, 1984
DATE OF COMPARATIVE PRICES USED IN THE APPRAISAL REPORT: May 16, 1984

	Symbols	Substitutes			OTC Public Group Comparatives Mean	OTC Public Group Comparatives Median	All Public Thrift's Mean	All Public Thrift's Median
Pro forma value after conversion	V							
Price-earnings ratio assumed	P/E	3.3 -	4.2	X	5.7	5.6	6.2	5.5
Price-book value assumed	P/B	35.0 -	45.0	%	54.9	56.2	61.7	57.4
Price-assets ratio assumed	P/A	1.50 -	2.50	%	3.37	3.32	3.44	3.04
Pre-conversion earnings base	Y		$60,000	*				
Pre-conversion book value	B		$178,370					
Pre-conversion total assets	A		$8,099,600					
Incremental return on new money	R		12.0	%				
Estimated fixed expenses	E		$27,500					
Underwriting commission	C		0.0	%				
% of stock to be sold by underwriter	S		0.0	%				
Indicated Dividend $ Amount	DA		0					
Indicated Dividend Yield	DY		0					

* Estimated net income (adjusted for non-recurring items) for FY 1984

CALCULATION OF PRO FORMA VALUE AFTER CONVERSION

1. $V = \dfrac{P/E\ (Y-(R\ E)}{1-P/E(R\ (1-(C\ S))}$ V = $255,149 TO $395,444 $\bar{V}$ = $325,296

2. $V = \dfrac{P/B\ (B - E)}{1-P/B(1-(C\ S))}$ V = $81,238 TO $123,439 $\bar{V}$ = $102,338

3. $V = \dfrac{P/A\ (A - E)}{1-P/A(1-(C\ S))}$ V = $122,925 TO $206,977 $\bar{V}$ = $164,951

CONCLUSION

Total Estimated Value	Date	Total Shares	Value Per Share
$325,000	5/16/84	32,500	$10.00

Allowable Range of Value				Total Estimated Value
$325,000	x	0.85	=	$276,250
$325,000	x	1.15	=	$373,750

Recommended Range of Value	Total Shares	Value Per Share
$276,250	27,625	$10.00
$373,750	37,375	$10.00

Pro Forma Effect of Conversion Proceeds

Conversion Proceeds
(Mid-point of conversion value range)

Pro forma market value	$325,000
Less: Estimated offering expenses	27,500
Conversion Proceeds	$297,500

Estimated Additional Income from Conversion Proceeds

Conversion Proceeds	$297,500
Estimated Incremental Rate of Return	0.12
	$35,700

Pro Forma Earnings (rounded)

Period	Before Conversion	After Conversion
Appraisal Earnings Base	$50,000	$85,700

Pro Forma Net Worth (rounded)

Date	Before Conversion	Conversion Proceeds	After Conversion
FY End 7/31/83	$176,848	$297,500	$474,348
1/31/84 (Unaudited)	$178,370	$297,500	$475,870

Pro Forma Net Assets (rounded)

Date	Before Conversion	Conversion Proceeds	After Conversion
FY End 7/31/83	$7,923,283	$297,500	$8,220,783
1/31/84 (Unaudited)	$8,099,600	$297,500	$8,397,100

TRIDENT

2674

Appendix to the Rpt of the Special Counsel on the Savings 44 of 52
& Loan Crisis (1986) Exhibits III G-13 - III H9, pp 2675-2744

This is how I'd like the headers to read.
Thanks

STATE OF MARYLAND

HARRY HUGHES
GOVERNOR

CHARLES H. BROWN, JR.
DIRECTOR

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
231 EAST BALTIMORE STREET BALTIMORE, MARYLAND 21202
SEVENTH FLOOR
301/659-6330

FREDERICK L. DEWBERRY
SECRETARY

September 25, 1984

Robert B. Greenwalt, Esq.
1124 North Rolling Road
Catonsville, Maryland 21228

Dear Mr. Greenwalt:

Under separate cover I have forwarded you a preliminary approval on the application of Ridgeway Savings and Loan to convert to a stock chartered association.

I understand that Walter Farnandis has retired and is no longer connected with the association. I also understand that you are now President of Ridgeway. I would appreciate it, therefore, if you would confirm your election as President and also advise us if there have been any other changes in the officers or directors of the association.

Very truly yours,

Charles H. Brown, Jr.

Charles H. Brown, Jr.
Director

CHB:kg

cc: Maryland Savings-Share Insurance Corporation

IIIG13

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TOLL-FREE 1-800-492-7521

TTY FOR DEAF
BALTO. AREA 383-7555
D.C. METRO 565-0451

7

AGREEMENT

THIS AGREEMENT dated this 19th day of September, 1984, by and between W. WALTER FARNANDIS, President of Ridgeway Savings and Loan Association, Vendor, and DAVID L. ROUEN, Purchaser.

WITNESSETH

WHEREAS, Purchaser has made an offer to purchase the control, by proxy, of Ridgeway Savings and Loan Association

WHEREAS, Vendor has agreed to assign control of the Association to Purchaser for monetary consideration, and

WHEREAS, Vendor and Purchaser agree that the assignment of control to Purchaser will be in the best interests of the Association.

NOW THEREFORE, in consideration of the amount paid, as hereinafter stated, and the mutual covenants and promises herein contained, it is agreed by the parties as follows:

FIRST: Purchaser shall pay the sum of $150,000.00 in cash to Vendor with the execution of this agreement, the sum of $100,000.00 having been deposited with Vendor prior to the date of this Agreement.

SECOND: Purchaser shall pay the sum of $125,000.00 to Vendor on or before March 19, 1985.

THIRD: The Association, at direction of Purchaser, shall pay the sum of $100,000.00 per year for a period of ten (10) years, for a total of $1,000,000.00 beginning on December 31, 1985 or January 1, 1986 at direction of Vendor and thereafter for the ten (10) year period on the same date of each succeeding year.

FOURTH: It is agreed by the parties hereto that the Purchase monies paid are attributed to the following items:

$225,000.00 representing the approximate net worth of the Association on September 19, 1984, which has been represented to be $222,000.00 as of July 31, 1984.

$50,000.00 for the good will of the Association generated by Vendor during his presidency and as consideration for the service of the past directors.

IIIG14

2676 A57143

$300,000.00 for the value of the Ellicott City property owned by the Association.

$700,000.00 for the continuing services of Vendor to the Association during the term of this Agreement.

FIFTH: The Association shall execute a mortgage to the Vendor in the amount of $300,000.00 secured by the Ellicott City property. No interest shall be charged in the mortgage and payments shall be on an annual basis in coordination with this Agreement. Vendor shall assume all recording costs.

SIXTH: Vendor shall assign and transfer the control of the Association at the annual meeting of the Association on September 19, 1984. Vendor shall execute a transfer and assignment of the proxies he holds from the members of the Association to Purchaser. Vendor shall secure the resignation of all members of the board of directors and present same to Purchaser. Purchaser and/or Vendor shall appoint the directors who will serve on the board after September 19, 1984. Purchaser shall then conduct a special meeting of the board.

SEVENTH: ~~Vendor shall cooperate with Purchaser and the Association in the administration of the Association in whatever position the Purchaser designates. Purchaser shall designate such position, and term of service, on or after the board meeting of September 19, 1984~~. It is understood by the Vendor that his obligation to cooperate with the Association shall continue during the term of this Agreement, whether or not Vendor holds any position in the Association. It is also understood by the Vendor that he will cooperate with the Association in any manner necessary to comply with the regulations of the Division of Savings and Loans Associations.

EIGHTH: The Association shall execute a lease of the space presently occupied by Total Real Estate Enterprises at the Ellicott City location to Vendor. The lease shall be for a period of ten (10) years from October 1, 1984 at a rental of $1.00 per year. Vendor shall be allowed to maintain his law practice and title company and real estate brokerage in the space provided. Vendor shall make every effort to allow the Association to use unoccupied office facilities in the leased space for brief conference after notice by the Association to Vendor. Vendor shall pay all costs associated with such leased space, including heat, utilities, water and phone.

A57144

NINTH: In the event that the Association decides to develop the Ellicott City property into office condominiums or other commercial uses, Vendor shall release the mortgage he holds in exchange for security of equal value. The Association will also continue to lease a comparable portion of any space retained by it at the Ellicott City location to Vendor for $1.00 per year until September 30, 1994.

TENTH: Vendor shall remove the items owned by him or his law practice from the Rolling Road location to the Ellicott City office.

ELEVENTH: It is agreed by the parties that Suburban Title shall act as settlement agent for the Association on loans made through the Association fo: a period of ten (10) years commencing October 1, 1984. Suburban Title Compan; shall comply with all instructions of the Association in regard to the procedure for handling real estate settlement.

TWELFTH: Vendor shall maintain a savings account at the Association during th period of this Agreement with a substantial portion of the monies of Vendor available for savings, up to the limit for insured deposits in the Association. It is further agreed by Vendor that, he will maintain sufficient additional savings in the Association that have been hypothecated to MSSIC to comply with the regulatory net worth requirements of the State of Maryland. The present amount of such hypothecation is $55,000.0(and such amount shall be maintained for the hypothecation for a period of one year from the date of this Agreement. ~~until the Associati can meet the regulatory net worth requirements independent of the hypothecati and MSSIC no longer requires such a hypothecation~~.

THIRTEENTH: Vendor shall relinquish all duties performed on behalf of the Association, except those which may be directed by the Purchaser, including serving as a trustee in construction loans and in foreclosures. The Association shall appoint a person to act as trustee as needed. Vendor shall not represent, in any way, that he can influence or control the Association, or commit the Association to make any type of loan.

FOURTEENTH: The Association and its service corporation shall not have any legal interest in the automobile sales corporation operated by Frank Fair. The monies invested by the Association shall be considered as a loan to the corporation, at the rate of 15% per annum, for a duration of two (2) years.

FIFTEENTH: The current net worth, amount on deposit, amount of loans and other financial information has been furnished to Purchaser by Vendor in the form of a monthly report for the period ending July 31, 1984. Purchaser has relied on this report, and the representations of Vendor in negotiating this transfer. In the event that Vendor has misrepresented or concealed any pertinent financial information of the Association as of September 19, 1984, Purchaser shall have the right to declare this agreement void and obtain a return of all monies paid under the terms of this Agreement.

SIXTEENTH: In the event that the Division of Savings and Loan Associations, or MSSIC, or any other governmental or regulatory authority prevents, denies, or hinders this transfer, this transfer shall be void and all monies paid pursuant to this agreement shall be returned to Purchaser. Vendor shall indemnify and hold harmless the Purchaser from any action taken by any regulatory authority as a result of this transfer of control.

SEVENTEENTH: Vendor will do no act which may directly or indirectly challenge the authority of the Purchaser to control the Association.

EIGHTEENTH: This Agreement will be binding on the successor and assigns of the Association and constitute an obligation of the Association.

IN WITNESS WHEREOF, the parties hereto have set their hands the day and year set forth above.

PURCHASER

David L. Rouen

VENDOR

W. Walter Farrandis

2679 A57146

LIBER 1292 FOLIO 517

MORTGAGE — INDIVIDUAL — FEE OR LEASEHOLD — MONTHLY PAYMENT — PRINCIPAL, INTEREST AND EXPENSES

THIS MORTGAGE, is made this 19th day of September, 1984

by and between RIDGEWAY SAVINGS AND LOAN ASSOCIATION, a body corporate,

party of the first part, hereinafter referred to as Mortgagor, whose address is: 1124 N. Rolling Road, Baltimore, MD.

and W. WALTER FARNANDIS /

party of the second part, hereinafter referred to as Mortgagee, whose address is: 9095 Frederick Road, Ellicott City.

WHEREAS, Mortgagor is bona fide indebted to Mortgagee in the sum of THREE HUNDRED THOUSAND DOLLARS

~~xxxxx~~ ($300,000.00) for money this day loaned by Mortgagee to Mortgagor, being all or a part of the purchase money for the hereinafter described property, which principal sum Mortgagor hereby covenants and agrees to repay to Mortgagee, ~~xxx~~ any balance of principal ~~xxxxxxx~~ due or unpaid on the 19th day of September, 1996, shall be due and payable on said date;

This mortgage is granted as security for a Buy and Sell Agreement between W. Walter Farnandis and David L. Rouen, dated September 19, 1984.

RECD FEE 1S...
RCRD TAX 13...
MRG RL
#86935 C184 R0...
H010/1...

All sums aforesaid are to be paid in lawful money of the United States of America which shall be the legal tender in payment of all debts and dues, public and private, at the office of the Mortgagee at the address hereinabove stated, or at such other address as the Mortgagee or the holder of this mortgage may, from time to time, designate in writing;

And in order to secure and assure the repayment of said principal sum, the interest thereon and the performance of the covenants herein contained, this mortgage is executed.

NOW, THEREFORE, This Mortgage Witnesseth, that in consideration of the premises and of the sum of One Dollar, Mortgagor does hereby grant, convey and assign to Mortgagee in fee simple/the leasehold interest in, all that lot(s) of ground and premises situate and lying in Second Election District of Howard County, State of Maryland, and described as follows, that is to say:

BEGINNING for the same in or near the center of St. John's Lane, where it is intersected by the Southwest side of Frederick Road (66 feet wide) said beginning point also being at the beginning of that parcel of land described in a deed dated April 20, 1961 and recorded among the Land Records of Howard County in Liber No. 366, folio 666, was conveyed by John Rogers Hammond and Millicent C. Hammond, his wife, to The Woodin H. Oswald Company, Inc., running thence and binding on part of the first or south 73 degrees 50 minutes 30 seconds east 719.46 feet line of said deed and on the southwest side of Frederick Road South 73 degrees 50 minutes 30 seconds east 183.00 feet to a point in said first line, said point being North 73 degrees 50 minutes 30 seconds west 232.00 feet from the beginning point of that parcel of land which by deed dated April 14, 1966 and recorded among the aforesaid land records in Liber No. 452, folio 372, was conveyed by The Woodin H. Oswald Company, Inc. to the Southland Corporation Inc., thence leaving the road and running parallel to the last or North 22 degrees 53 minutes 54 seconds east 201.26 feet line of the last mentioned deed (Oswald Company to the Southland Corporation) South 22 degrees 53 minutes 54 secondsWest 200.00 feet thence north 73 degrees 50 minutes 30 seconds West 183.05 feet to intersect the sixth or north 18 degrees 39 minutes east 84.43 feet line of the first herein mentioned deed (Hammond to Oswald Company) running thence and binding on a part of said line and in or near the center of St. John's Lane North 18 degrees 39 minutes East 78.91 feet to the end of said line, thence binding on the last line in said deed and in or near the center of St. John's Lane North 25 degrees 41 minutes 50 seconds east 121.46 feet to the place of beginning.

Containing 0.848 of an acre of land, more or less.

The improvements thereon being known as NO. 9095 FREDERICK ROAD.

IIIG15

Exhibit C

2680 10-2-85

300-3/2

BEING the same lot(s) of ground and premises which by Deed dated August 21, 1978 and recorded among the Land Records of Howard County, State of Maryland, in Liber No. 1007, folio 154, was granted and conveyed/assigned by BP Oil Corporation to the Mortgagor.

TOGETHER with the buildings and improvements thereupon, and the rights, alleys, ways, waters, privileges, appurtenances and advantages thereto belonging or in anywise appertaining.

TO HAVE AND TO HOLD the said lot(s) of ground, with the improvements and appurtenances aforesaid, to the said Mortgagee, in fee simple ~~xxxxxxxxxxxxxxxxxxxx~~

PROVIDED, that if the said Mortgagor shall well and truly pay or cause to be paid the aforesaid principal sum of

THREE HUNDRED THOUSAND Dollars and NO Cents ($ 300,000.00), and all the interest thereon when and as such payments shall respectively be due and payable as aforesaid and shall perform each and all of the covenants herein on Mortgagor's part to be performed, then this Mortgage shall be void.

But upon any default being made in the payment of said principal or interest, in whole or in part, when due, or upon any default being made in any covenant or condition of this Mortgage, then the whole mortgage debt hereby secured and then unpaid may thereupon be declared to be due and payable, at the option of the Mortgagee, after such default shall have continued for thirty (30) days.

AND the said Mortgagor hereby assents to the passage of a decree for the sale of the herein described property at any time after a default has occurred in any of the covenants of this mortgage, as herein provided; and the said Mortgagor hereby authorizes the said Mortgagee, or W. WALTER FARNANDIS the duly authorized attorney or agent of said Mortgagee, after any default shall have occurred as aforesaid, to sell the hereby mortgaged property. Any such sale, whether under the aforementioned assent to a decree or under the aforementioned power of sale, shall be under the provisions of Real Property Article of the Annotated Code of Maryland Section 7-105 (Acts of 1974 of Chapter 12) and the Rules W70-W76 of the Maryland Rules of Procedure, or under any other general or local laws of the State of Maryland relating to mortgages, or any supplement, amendment or addition thereto. Such sale shall be made after giving notice by advertisement as required by the aforesaid Statute and Rules; and the terms of the sale may be all cash upon ratification of the sale or such other terms as the party selling may deem expedient. And upon any such sale of said property under this mortgage, the proceeds shall be applied as follows: (1) to repayment of all expenses incident to said sale, including a counsel fee of Three thousand Dollars ($ 3,000.00) for conducting the proceedings if without contest, but if legal services be rendered to the Mortgagee or to the Trustee or party selling under the power of sale in connection with any contested matter in the proceedings, then such additional counsel fees and expenses shall be allowed out of the proceeds of sale as the Court may deem proper; and a commission to the party making the sale of said property equal to the commission allowed Trustees for making sale of property by virtue of a decree of a Court having equity jurisdiction in the State of Maryland; (2) to the payment of all claims of the said Mortgagee hereunder, whether the same shall have matured or not, including interest thereon until the final ratification of the final Auditor's Account in the foreclosure proceedings; (3) and the balance if any, to the said Mortgagor, or to whomever may be entitled to same. And in the event that the mortgage debt shall be paid after any foreclosure has been filed, but before sale thereof, the Mortgagor hereby covenants to pay also, all expenses incident to said advertisement or notice, all court costs and all expenses incident to the foreclosure proceedings under this mortgage, and a commission on the total amount of the mortgage indebtedness, principal and interest, equal to one-half of the percentage allowed as commission to trustees making sale under orders or decrees of a Court having equity jurisdiction in the State of Maryland and a counsel fee of One thousand five hundred Dollars ($ 1,500.00); but said sale may be proceeded with unless, prior to the day appointed therefor, payment be made of said principal and interest, costs, expenses, commission and fee.

AND the said Mortgagor hereby covenants with the Mortgagee as follows:

(1) To repay the mortgage indebtedness hereby secured, together with the interest thereon at the rate aforesaid, at the times and in the amounts aforesaid;

(2) To purchase and pay the premiums thereon, during the term of this mortgage, of all policy or policies of fire and extended coverage insurance on the improvements on the above described lot of ground insuring the same against loss by fire and other hazards, usually referred to as "extended coverage," with an endorsement thereon making the proceeds of the policy or policies, in event of damage by fire or other covered casualty, payable to the Mortgagee to the extent of Mortgagee's lien on the land and improvements, in such companies, through such agents or brokers, and in such form as shall be satisfactory to the Mortgagee, in amounts sufficient to protect Mortgagee's lien thereon, and to deliver the policy or policies and all renewal policies or receipts to the Mortgagee; and in the event of any loss by fire or other casualties, the insurance company or companies issuing said policy or policies are hereby, and in said policy or policies are to be, directed by the Mortgagor to make payment for such loss to the Mortgagee only to the extent of its lien thereon and any unpaid insurance premiums or taxes and other expenses advanced, and not to the Mortgagor and Mortgagee jointly; such payment to the Mortgagee shall be applied to the extinguishment of the principal, interest and other obligations secured by this mortgage, whether then due or not; however, the Mortgagee, in lieu thereof, may consent, in writing, to the application by the Mortgagor of the said insurance proceeds to the reconstruction of the improvements on the mortgage property;

(3) To pay all taxes, water and sewer charges and other public dues and assessments of every kind whatsoever for which the property hereby mortgaged may become liable, and to pay all ground rent, if any, when and as the same shall become due and payable and to deposit receipts for the same with the Mortgagee within 30 days after the due date for such payments;

~~(4) To pay to the Mortgagee, on the same date upon which the payment on account of principal and interest are made, for the purpose of establishing a fund to assume the payment of the taxes, water and sewer charges, and other public dues and charges, the ground rent, if any, the premiums on the policies of fire and extended coverage and any other obligations for which the above-described property may become liable, one-twelfth ($\frac{1}{12}$th) of the yearly aggregate of such payments as estimated by the Mortgagee. Said amounts so paid to the Mortgagee shall be held by the Mortgagee in trust solely for the purposes indicated and the funds may be commingled with other funds of the Mortgagee, such deposit as herein required shall be known as "Expense Account." The Mortgagee shall credit to said Expense Account interest thereon at the prevailing annual rate for savings accounts or percent (%) computed on the average monthly balance accrued in such Expense Account. In the event the Mortgagor fails to provide sufficient funds to pay said expenses, the Mortgagee is hereby authorized to pay said expenses, and the amount so paid shall then be added to the principal debt herein and shall bear interest at the rate hereinbefore stated as the interest payable on the principal debt, from the date of such payment or payments, and said Mortgagee shall have a lien under this Mortgage on the premises hereinbefore described for the amount or amounts so paid, together with the interest thereon as herein stated upon the principal debt. Failure to establish and maintain the aforesaid expense account for the payment of the aforesaid expenses shall, at the option of the Mortgagee, constitute a default in this Mortgage, for which foreclosure of this Mortgage may be instituted.~~

(5) Not to permit, commit or suffer to be committed any waste, impairment or deterioration of said above described property or any part thereof; and

(6) To pay a late charge not to exceed the greater of Two Dollars ($2.00) or one twentieth ($\frac{1}{20}$th) of the total amount of any delinquent or late periodic installments of principal and interest which is received at the office of the Mortgagee more than fifteen (15) calendar days after the due date thereof.,

It is further agreed between the parties:

1. Each monthly payment made by the Mortgagor and paid to the Mortgagee, where the amount or amounts shall not be equal to the required monthly payments of principal, interest and the Expense Account, shall be applied as follows: First: To the payment of the interest due on the date of said payment; Second: Any balance remaining shall be credited on account of the unpaid principal due as of such date; and Third: Any balance remaining shall be credited to the Expense Account.

2. The holder of this mortgage, in any action to foreclose the same, shall be entitled, without regard to the adequacy of the security for the debt, to have a receiver appointed by the Court to collect the rents and profits of said property and account therefor as the Court may direct.

3. Should the title to the herein mortgaged property be acquired by any person, persons, partnership or corporation, other than the Mortgagor, by voluntary or involuntary grant or assignment, or conveyed or encumbered in any manner, without the Mortgagee's, or other holder of this Mortgage, consent in writing or should the Mortgagor, or any one or more of the Mortgagor group, if more than one, be declared insolvent or bankrupt, then the balance then due or to become due on said principal indebtedness shall, at the option of the Mortgagee, become due and payable and constitute a ground of foreclosure if not paid on demand.

4. At the option of the Mortgagee, the entire indebtedness then unpaid and secured hereby shall become due and payable after a default in the payment of any monthly installment of principal or interest, as herein provided, shall continue for thirty (30) days, or after default in the performance of any of the covenants or conditions hereof shall have continued for thirty (30) days;

5. The Mortgagee, at Mortgagee's election, may sell the property hereinabove described at the foreclosure sale, subject to one or more of the tenancies entered into subsequent to the recording of the mortgage, provided such fact is disclosed in the advertisement of the sale;

6. Should any portion of the above described property, or an easement appurtenant thereto, be condemned or taken under eminent domain, all of such part of any award or proceeds, as Mortgagee shall be entitled to receive in payment of the balance due on principal and interest and shall declare the same in writing, is, by this instrument assigned by Mortgagor to Mortgagee for payment of the said principal and interest due on said mortgage indebtedness, and Mortgagee is hereby authorized to give receipts and releases therefor; and

7. Until default is made, the said Mortgagor may retain possession of the hereby mortgaged property.

8. Each of the parties herein, Mortgagor and Mortgagee, shall promptly advise the other of any change in the address of either.

THE Mortgagor warrants specially the property hereby mortgaged and will execute such further assurances of the same as may be requisite.

Whenever used herein, the words "Mortgagor" and "Mortgagee" shall include the heirs, personal representatives and/or assigns of the Mortgagor or Mortgagors, or Mortgagee or Mortgagees, and the successors and/or assigns of the Mortgagee or Mortgagees. The use of any gender shall be applicable to all genders and "Mortgagee" shall include any payee of the indebtedness hereby secured, or any transferee thereof whether by operation of law or otherwise. The use of the singular shall include the plural, and the plural the singular.

THE Mortgagor by execution of this instrument certifies that, prior to such execution, he has received a fully executed agreement as to the contractual rate of interest, and a loan disclosure statement in connection with this loan as required by Commercial Law Article of the Annotated Code of Maryland, Section 12 (Acts of 1975, Chapter 49); and the parties agree that the provisions of Section 12 of the Commercial Law Article of the Annotated Code of Maryland, as to delinquent or late payment charges and prepayment which are made a part of this Mortgage agreement, unless other provisions regarding the same are specifically set out herein.

WITNESS the hands and seals of said Mortgagors.

WITNESS:

______________________ RIDGEWAY SAVINGS AND LOAN ASSOCIATION (SEAL)

Lorraine Moore
______________________ BY: Robert A. Cumminds (SEAL)
Lorraine Moore Robert Cumminds, President

(ACKNOWLEDGMENT ON FOLLOWING PAGE)

LIBER 1292 FOLIO 520

STATE OF MARYLAND
COUNTY OF BALTIMORE } to wit:

I HEREBY CERTIFY that on this 19th day of September, 1984, before me, a Notary Public of the State of Maryland, personally appeared Robert Greenwalt, President of Ridgeway Savings and Loan Ass known to me, or satisfactorily proven to be the person(s) whose name(s) is/are subscribed to the within mortgage, and who acknowledged that he executed the same for the purposes therein contained. At the same time also appeared W. WALTER FARNANDIS Agent of the within named Mortgagee and made oath in due form of law that the consideration therein set forth in said mortgage is true and bona fide as therein set forth, that the sum of THREE HUNDRED THOUSAND Dollars ($300,000.00) was paid over and disbursed by the Mortgagee to either the Mortgagor or the person responsible for the disbursement of funds in the closing transaction, or their respective agents at or before the final and complete execution of this mortgage; and that he is the Agent of the Mortgagee and duly authorized to make this affidavit.

AS WITNESS my hand and notarial seal.

Lorraine Moore
Lorraine Moore, Notary Public

My Commission Expires:

JULY 1, 1986

THIS IS TO CERTIFY that the within instrument was prepared by or under the supervision of the undersigned, an attorney duly admitted to practice before the Court of Appeals of Maryland.

Suburban Title Corp.
9095 Frederick Rd.
Ellicott City, Md. 21043

W. Walter Farnandis, Attorney

MORTGAGE

FROM

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

TO

W. WALTER FARNANDIS

BLOCK NO. ______

Received for Record ______, 19__
at ______ o'clock ___ M. Same day recorded
in Liber ______ No. ______ Folio ______ &c.,
one of the Land Records of ______, and examined per
______, Clerk.

Cost of Record, $______

SUBURBAN TITLE CORP.
9095 Frederick Road
Ellicott City, MD 21043
301-461-2444

THE DAILY RECORD CO., BALTIMORE, MD.

PLAINTIFFS'
$1,000,000.00 Exhibit No. 1

DATE: September 19, 1984

CONFESSED JUDGMENT NOTE

FOR VALUE RECEIVED, the undersigned, RIDGEWAY SAVINGS AND LOAN ASSOCIATION ~~and DAVID [illegible]~~ promise to pay to W. WALTER FARNANDIS, the sum of One Million Dollars ($1,000,000.00), in ten (10) consecutive annual installments with no interest, said annual payments of principal being in the amount of One Hundred Thousand Dollars ($100,000.00) with the first payment to begin on January 1, 1985 and continue annually thereafter until January 1, 1996, or until said sum is paid in full, but no later than January 1, 1996.

Should any payment of this Note not be paid within thirty (30) days from the [illegible] or if a proceeding of bankruptcy, receivership or insolvency shall be instituted by or against the undersigned, or any of the undersigned, or if the undersigned, or any of the undersigned, shall make an assignment for the benefit of creditors, the entire balance due on this Note as may then be payable shall become immediately due at the election of the holder, without notice, and the payment and acceptance of any sum, at any time, on account of this Note shall not be a waiver of such right of action. And further, the undersigned do hereby empower upon default, any attorney of any Court of record within the United States or elsewhere to appear for the undersigned, after one or more declarations filed and confess judgment against the undersigned, as of any [illegible] for the above sum with costs and attorney's fees of 15% for collection and release of all errors, and without stay of execution and inquisition, and extension upon any levy on real estate is hereby waived and condemnation agreed to and the exemption of personal property from levy and sale on any execution hereon is also expressly waived and no benefit of exemption to be claimed under and by virtue of any exemption law in force or which may be hereafter passed.

In the event that W. WALTER FARNANDIS shall die on or before January 1, 1996, the balance of this Note, if any, shall be paid in equally yearly installments to W. Walter Farnandis, III, Anita C. Wilcox and Anne Checkes (Farnandis).

As security herewith, Ridgeway Savings and Loan Association has issued to W. WALTER FARNANDIS, a first mortgage on the corporation's property located

IIIG16

2684

at 9085 Frederick Road, Ellicott City, Maryland, 21043. This mortgage is issued in accordance with this Note as additional security for the payment of the sum of One Million Dollars ($1,000,000.00). Said mortgage will be released when this Note has been paid in full.

WITNESS:

RIDGEWAY SAVINGS AND LOAN ASSOCIATION

BY Robert Greenwald

Robert Greenwald, President

Dated: September 19, 1984

2685

ANNUAL SHAREHOLDERS' MEETING
RIDGEWAY SAVINGS ANDLOAN ASSOCIATION
SEPTEMBER 19, 1984

Pursuant to an advertisment heretofore listed and published in the Catonsville Times and Howard County Times, the annual shareholders' meeting of Ridgeway Savings and Loan Association was called to order at 8:00 p.m. by the President.

All shareholders of the Association voted on sale of Association to David Rouen and Associates. Motion was duly made and seconded that the present President should excute same.

The Directors hereby resign, subject to the final signing of the agreement between the parties and the note and mortgage as security for the transfer.

Respectfully submitted

Rosemary Tyler

Rosemary Tyler, Secretary

IIIG17

9751

September 19, 1984

Board of Directors
Ridgeway Savings and Loan Assn.
1124 N. Rolling Road
Baltimore, Maryland 21228

Gentlemen:

It is with regret that we herewith resign as Directors of the Ridgeway Savings and Loan Association, effective immediately.

Very truly yours,

W. Walter Farnandis

W. Walter Farnandis III

Anita C. Wilcox

Joseph Frey

Grace Devitt

IIIG18

September 19, 1984

WE, the undersigned hereby consent to be directors and officers of Ridgeway Savings and Loan Association as desiginated below, until the next annual meeting on the Third Wednesday of September 1985.

President — Robert P. Greenwalt

Vice President — W. Walter Farnandis

Vice President

Secretary

Treasurer

DIRECTORS: Glen E. Dawson Chairman

SEMMES, BOWEN & SEMMES
ATTORNEYS AT LAW
10 LIGHT STREET
BALTIMORE, MARYLAND 21202
TELEPHONE 301-539-5040
TELECOPIER 301-539-5223
CABLE TREVLAC
TELEX 87-478

P. O. BOX 6705
401 WASHINGTON AVE
TOWSON, MARYLAND 21285
TELEPHONE 301-296-4400

1025 CONNECTICUT AVE., N.W.
WASHINGTON, D.C. 20036
TELEPHONE 202-822-8250
TELECOPIER 202-822-8258

DIRECT DIAL
576-4714

March 7, 1985

Dr. David L. Rouan, President
Ridgeway Savings & Loan Association
9095 Frederick Road
Ellicott City, MD 21043

Dear Dr. Rouan:

You have asked for our opinion concerning the enforceability of an Agreement dated September 19, 1984 between W. Walter Fernandis ("Fernandis") and you concerning Ridgeway Savings & Loan Association (the "Association"). For convenience, the September 19, 1984 Agreement is referred to hereafter as "the Agreement."

In addition to a copy of the Agreement, you have provided us with the following information. You have paid to Fernandis the $150,000 amount required by Clause First of the Agreement. Fernandis and the other directors of the Association did resign from the Board of Directors of the Association on or before September 19, 1984. You and other persons of your choosing have taken office as directors and officers of the Association. We are not familiar with any other facts which might bear on the situation.

Although the Agreement covers several subjects, including the lease of space to Fernandis, selection of Suburban Title as settlement agent for the Association, and characterization of monies invested in an automobile sales corporation operated by Frank Fair, we have assumed that the essence of the transaction evidenced by the Agreement is described in the recitals to the Agreement. These recitals state that you made an offer to purchase control "by proxy" of the Association, and that Fernandis agreed to assign control of the Association to you for monetary consideration.

We refer you to a regulation of the Maryland Division of Savings and Loan Associations (the "Division"):

IIIG20

A36069

2689

"(6) A director, officer or employee acting as proxy for a member of an association may not surrender control or pass his office to any other for any consideration of a private benefit or advantage, direct or indirect. The voting rights of members and directors may not be the subject of sale, exchange, or similar transactions, either directly or indirectly. [COMAR 09.05.01.43]

In our view, the Agreement provides for Farnandis, acting as president and a director of the Association, to take actions which violate the regulation quoted above. Certainly, the recitals are evidence of the intent of Farnandis to convey control of the Association in exchange for consideration received by Farnandis personally.

In addition to the Division's regulation prohibiting acceptance of consideration in exchange for conveyance of control, Maryland law deems corporate directors to be fiduciaries who generally may not profit personally from the exercise of their fiduciary duties. Section 569 of the Restatement of Contracts is explicit on this point:

"A bargain by an official or shareholder of a corporation for a consideration inuring to him personally to exercise, or promise to exercise, his powers in the management of the corporation in a particular way is illegal."

The Attorney General of Maryland has confirmed that directors and officers of savings and associations have the same fiduciary responsibilities as their counterparts in general corporations. 62 Opin. A.G. 804 (1977). By conveying to you the proxies which he held and causing the resignation of the directors of the Association, Farnandis exercised his powers as an officer and director of the Association in exchange for the consideration which was to be paid to him pursuant to the Agreement.

If Farnandis accepted consideration to his personal gain in exchange for conveying control of the Association to you by transferring proxies and obtaining resignation of the other directors, it is our opinion that Farnandis' acceptance of such funds violated both the Division's regulation quoted above and his common law fiduciary duty as a director and officer of the Association. To the extent that the Agreement contemplates actions that are in violation of Maryland regulations and common law, it is our opinion that continued performance of the Agreement would contravene the public policy of Maryland.

Because the Agreement contemplates and requires actions which violate Maryland public policy, it is our opinion that the Agreement is invalid and unenforceable. Indeed, we must caution that the Association may be subject to sanctions imposed by the Division if it makes the payments purportedly due to Farnandis under the Agreement. Such payments certainly are contrary to the intent of the Division's regulation quoted above. If the Division concludes that the Agreement constitutes a violation of an important

Division regulation, the Division (under its powers granted by Subtitle 4 of Title 12 of the Maryland Financial Institutions Article) could order the Association not to make the payments under the Agreement.

Assuming that the Agreement is essentially and primarily an agreement to pay Mr. Fernandis for transfer of control of the Association and is in violation of the public policy of Maryland as expressed in Division regulations and the law of fiduciaries, it is our opinion that under Maryland law the Agreement is illegal and may not be enforced. Thus, it is our opinion that Fernandis may not enforce the Agreement in the Maryland courts, and you and the Association may not be required to make payments to him as consideration for his conveyance of control of the Association.

Our opinion, as set forth above, is based solely upon our review of the Agreement and the assumptions expressly set forth in this letter. If other agreements or courses of dealing exist among the parties, it is possible that such agreements and practices could modify our conclusions. We also must caution you that we have assumed that Fernandis is not to render any significant services to the Association under the Agreement. If significant services are to be rendered by Fernandis, it is possible that a court could conclude that the Association is obligated to pay Fernandis appropriate compensation for those services.

If we may be of further service, please do not hesitate to contact us.

Sincerely,

David C. Daneker

DCD:psg

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

MEMBERSHIP COMMITTEE MEETING

DECEMBER 14, 1979

The meeting of the Membership Committee of the Maryland Savings-Share Insurance Corporation was held on Friday, December 14, 1979 at 1:00 P.M. at the offices of the Corporation, 901 N. Howard Street, Baltimore, Maryland.

Members present:

Walter R. Klohr, Jr.	Frances Anderson
Jerry Whitlock	Judith Miles
Douglas Lucas	Henry R. Elsnic

Guests: Charles H. Brown, Jr., David Wells and Bill LaCompte-Division of Building, Savings and Loan Associations; Harry B. Wolf, Jr., Executive Vice President Roger H. Berwanger, Assistant Executive Vice President and Paul V. Trice, J

The Chairman noted that Glen Lowman and Robert Creager of Security Savings and Loan were present at the invitation of the Committee and were prepared to present current information on the status of the association. Thereupon Mr. Klohr requested Mr. Lowman to give his report. Mr. Lowman presented background information on Quail Meadows, Harford County lots and REO which he inherited when he became the Executive Officerapproximately three years ago. He related the current status of these matters and it appeared that all were resolved except for Quail Meadows. Based on present projections, the build-out of Quail Meadows should be completed by late Fall of 1980 and part of said loss having been charged to operations in past years

Mr. Lowman and Mr. Creager then presented current figures of savings flow, income and earnings for the fiscal year ending February 29, 1980. It is estimated that the association will loose savings in excess of $9,000,000; that the operating loss will be approximately $600,000; that the association will not have sufficient earnings and/or free surplus to make the required State allocation to reserves, approximately $180,000. It further appeared that the association will not earn its dividend and Mr. Creager stated that it would be necessary to invade the remaining net worth to pay the dividend

The Committee requested Mr. Creager to clarify his statement that it would be necessary to invade the net worth to pay the dividend and his response that the association had no other alternative but to transfer funds from the General Reserve for Losses and/or Paid-In-Surplus. Mr. Creager stated that if the dividend was not paid as advertised, the association would be in difficulty with the savings public. Messrs Creager and Lowman stated that they did not have a plan to deal with these financial matters, but were hoping to present to the Security Board of Directors a plan at the January meeting of their Board.

Thereafter various members of the Committee asked questions of Messrs. Lowman and Creager and were then excused with the thanks of the Committee for their presentation.

The Chairman of the Committee noted that staff had prepared projections based upon figures by Security as of the close of November, 1979 and that there appeared to be no substantial differences in the losses projected by Security and staff. It was also noted that as of December 31, 1979 that the association's net worth shall be approximately 4.02 based upon savings as of the same date. The Committee asked questions of staff and a general discussion of the financial status of the association followed. Various proposals were presented and after lengthy discussion the Committee determined that they would recommend to the Board of Directors that there be an immediate meeting with the Board of Directors of Security and the MSSIC Board. Pending this meeting of the two Boards, no further action of the Committee would be taken.

The Committee thereafter reviewed the various items on the regular agenda.

Government Services Savings and Loan

Mr. Klohr reported that the delinquent schedule of the association had been reviewed by him and thereafter his findings were reported to the November Board Meeting.

Reserve Reports

The reserve reports were reviewed and no problems were revealed.

Metropolis Building Assn.

The liquidity of the association was reviewed and found to be below the MSSIC requirements. The Committee took no action in view of the pending merger of Metropolis and Heritage.

Monthly Reports

Merritt Savings and Loan

Loan concentration of 40% + appeared to be in excess of MSSIC's regulation and staff was requested to get complete information.

Old Court Savings and Loan

The proforma statement had just been received by staff and a complete analysis would be made and reported to the Membership Committee thereafter.

Sharon Savings and Loan

Staff was instructed to continue requesting delinquent reports.

Friendship Savings and Loan

Current status was reported to the Committee and there appears to be no concrete proposal to solve their problems at present.

First Maryland Svgs. & Loan

Delinquent loans were reviewed.

Admiral-Builders Svgs. & Loan

Liquidity appears to be in compliance with the rule based upon the weekly reports.

Chesapeake Savings and Loan

Four loans in foreclosure were removed from the delinquent status.

Eastern Shore Svgs. & Loan

No problems.

First Progressive Svgs. & Loan

The delinquent reports for November just received and staff is to mail the November report to Mr. Klohr.

Columbian Building Assn.

Liquidity below requirements for the second consecutive month and a letter is to be written to the association.

Forest Hill Svgs. & Loan

Liquidity is low; Wolf reported that he had been unofficially advised that the association proposes to merge with and into the Forest Hill State Bank. No plan has been filed with the Corporation.

Fairmount Svgs. & Loan

The Committee noted an apparent decline in savings and staff reported that this was an error in the monthly report.

First Maryland Svgs. & Loan

Wolf reported that Steed had sued the association (Prince George's Co. for $20,000 alledged to be due as the result of mortgage commitments. Hollins reported that the association is not concerned about the suit.

Parkville Svgs. & Loan

A review of the association was postponed until January when staff hopes to have a full year's report.

First Progressive Svgs. & Loan

Wolf reported that the association proposes to issue through their service corporation certificates of participation in units of $1,000 on certificates issued by other institutions. The purchaser of the participating certificates must also have a like amount in a savings account at the association and the combination of the savings account dividend and the yield on the participating certificate would be roughly equivalent to 9%. The proposal has been approved by the Attorney General Security Division and the Division of Savings and Loan Assns. has not reached any conclusion whether or not to approve.

There being no further business, the meeting adjourned at 4:58 P.M.

Secretary

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

SPECIAL EXECUTIVE COMMITTEE MEETING

MARCH 5, 1880

A special Executive Committee meeting of Maryland Savings-Share Insurance Corporation was held at the offices of the Corporation, 901 North Howard Street or Wednesday, March 5, 1980 at 2:00 P.M.

The following members were present:

Walter R. Klohr, Jr. John Donohue

Douglas R. Lucas

Guests: Harry B. Wolf, Jr., Executive Vice President and Roger Berwanger, Assista Executive Vice President.

Mr. Klohr acted as Chairman and turned the meeting over to the Executive Vice President for a report on the current status of the merger plans of Secu and Sharon.

Wolf reported that Security had signed a letter of acceptance of the offer made by Sharon Svgs. & Loan to purchase all the outstanding stock of Security at a price of approximately $6.00 per share. The association, as well as the Directors had signed the letter and had further agreed for the Directors to place all their stock in escrow with an option to Sharon to purchase in accordance with the letter of intent. Sharon would also have a proxy to vote the shares of the Directors for a merger. The plan of merger would be for Sharon's service corporation to purchase the stock and when all legal requirements are complete, then, the Sharon service corporation will merge into Security and Sharon Savings and Loan will become the only stockholder for holding all of the former Security stock. The final result would be that Sharon Savings and Loan would own a subsidiary formerly known as Security Savings and Loan.

Wolf directed the attention of the Committee to the Sharon letter dated February 27, 1980 and suggested that the first question to be resolved was whether or not the Committee would enter into an assistance agreement arrangement with the association. The Committee discussed this in detail and although there was an area of disagreement, the final decision was to proceed with negotiating assistance for the surviving association. At this point Wolf advised the three members of the Committee that this was also the position of Messrs Stocksdale and Berlin.

Messrs. Zell Hurwitz, Mark Hurwitz and Zelig Robinson, special counsel for Sharon, were then invited into the Committee Room to discuss the assistance plan in detail. The Committee noted that items one and two of Sharon's proposal had been complied with and, therefore, discussions as to item three began. It was finally agreed that MSSIC would purchase up to $17,000,000 of the outstanding mortgage loans presently owned by Security and the funds so received by Sharon would be used to pay down the current borrowings. Sharon agreed to service the mortgage loans without charge to MSSIC and to remit principal and interest monthly to the Corporation. It is estimated that the mortgage yield would be approximately 8½%.

The next item was a decision as to the request of Sharon that MSSIC guarantee and indemnify Sharon against loss of principal on remaining mortgage loans in Security's portfolio. A lengthy discussion followed and although no dollar amount was agreed upon, a plan to indemnify the mortgage loans was agreed upon. The plan is that Sharon shall have nine months beginning April 1, 1980 to identify "bad loans" and MSSIC and Sharon would then determine whether or not MSSIC would purchase these loans or request that Sharon use its best efforts to collect the mortgages in full. There shall be a total of 21 months including the nine months previously mentioned that may elapse prior to MSSIC indemnifying Sharon against any capital or losses on these bad loans.

A discussion then shifted to the method to be used in determining what capital loss, if any, should be paid by MSSIC on Quail Meadows/Candlewood and other REO presently held by Security. The Committee and Sharon recognized that neither side had sufficient information to make a firm determination and, therefore, it was mutually agreed upon that Zell Hurwitz and his staff would make a critical evaluation of all REO and thereafter mee with the Committee to effect a resolution of this problem. A subsidiary question also arose as to whether or not MSSIC would indemnify Sharon agains interest losses on REO and since the parties do not have sufficient facts to make a decision, this too was held over for further discussion.

Sharon asked whether or not MSSIC would make funds available for liquidity purposes in the event Security had substantial withdrawals during the period needed to effect the merger. And after lengthy discussion, it was agreed tha MSSIC would make funds available at a rate of 12% with Sharon making every possible effort to use the remaining portion of Security's line of credit.

The meeting adjourned at 5:15 P.M.

Secretary of the Meeting

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

REGULAR MEETING OF DIRECTORS

MARCH 25, 1981

The regular meeting of the Board of Directors of Maryland Savings-Share Insurance Corporation was held at the offices of the Corporation, 901 North Howard Street, Baltimore, Maryland, on Wednesday, March 25, 1981 at 9:30 A.M.

The following Directors were present:

Dennis B. Berlin	Robert L. Stocksdale
Jerry D. Whitlock	Douglas R. Lucas
Judith H. Miles	Frances F. Anderson
Walter R. Klohr, Jr.	Joseph F. Carroll
Leonard Bass	John C. Donohue, Sr.

Absent and Excused: J. Frank Raley

Guests: Charles C. Hogg, II, Executive Vice President; Terry F. Hall, Venable, Baetjer and Howard; John J. Pretko and Harry F. White, Jr., Union Trust Company of Maryland.

Mr. Berlin called the meeting to order and noted a quorum was present and, thereafter, declared the meeting open for business. Mr. Hogg acted as Secretary.

Mr. Pretko and Mr. White presented the Investment Report and comments on the economy. It was noted that the consensus of current rate predictions indicated a slow decline in short term interest rates, although there continued to be mixed projections among economists. The commercial paper market has lead the decline in rates, weakening bank loan demand, and this should work to lower rates. However, the pent-up demand for long term debt may counteract this trend. The high volume of Treasury financing may also be a factor. As a result of the February meeting, Mr. Pretko then presented the new Investment Guidelines that had been recommended b

IIIH3

26??

representatives of the bank and Mr. Hogg. A copy of these new guidelines are attached to the permanent copy of these minutes. The guidelines differ from those last passed by the Board of Directors on October 25, 1978 in that the maximum maturity of any investment instrument has been decreased from 10 years to 5 years. After Mr. Pretko and Mr. White were excused from the meeting, the new guidelines were adopted by motion duly made, seconded and passed. It was also noted by the Board that these guidelines were appropriate and should be accepted for use with investments of the Central Reserve Fund, and that the Executive Vice President should be responsible to insure conformity there.

The minutes of both the regular meeting of February 25, 1981 and the special meeting of March 11, 1981 were discussed separately, and by separate motion, were then duly approved.

Mrs. Anderson then presented the Treasurer's Report for February, 1981. These financial statements were accepted by proper motion. Mr. Hogg then gave each member of the Board a copy of the audit report from Touche Ross and Co., which included an unqualified opinion, and a copy of a letter from Touche Ross & Co. which indicated that no defaults under either the Credit Agreement or the Loan Agreement had been discovered during their examination. Mr. Hogg discussed the audit report and pointed out the new accounting policy related to a Reserve for Insurance Losses. It was noted that the provision for this reserve in 1980 resulted in a net operating loss for the fiscal year. After discussion, the audit report was accepted by motion properly seconded and passed.

Mr. Lucas reviewed the minutes of the Membership Committee meeting held on March 11, 1981. During that discussion the following topics were covered.

1) Staff was directed to take an informal survey of the percentage of jumbo certificates outstanding among the membership.

2) Staff was requested to determine the amount of Participation Certificates sold and outstanding by First Progressive Savings and Loan.

3) It was noted that staff had had contact with and favorable reports on Merritt Savings and Loan, Inc. and Gibraltar Building and Loan Association.

4) It was reported that hypothecations were due from Custom Savings and Loan Association and Old Court Savings and Loan, Inc.. Indications were that these would be received.

5) The Membership Committee's recommendation that the request of Slavie Savings and Loan Association for a six-month waiver of the liquidity requirements of Section 3-210 be approved was discussed by the Board, and after motion was made and seconded, it was approved, conditioned on the requirment that the association continue its conservative commitment policy as indicated in their request.

6) The Board discussed the Committee's recommendation that the reporting requirements for submitting monthly Form S/L 200 be changed from an asset level of $3,000,000 to either $5,000,000 or $10,000,000. After this was discussed at length, the Board approved by motion duly made, seconded and passed that the Rules and Regulations' Section 3-203 be changed to read, instead of $3,000,000, to words which reflected "a level set from time to time by the Board of Directors". Mr. Hogg was directed to review the exact wording with counsel and to cross-reference any other Rule and Regulation affected. He was also asked to insure that the Division of Savings and Loan Associations concurred with this concept and would agree with the first new level to be established.

7) The Board approved by proper motions and subject to the approval in each case of the Director of the Division of Savings and Loan Associations, the following mergers:

A) Pleasant Hill Permanent Building and Loan Association with and into Metropolis Building Assn.;

B) Hanover Building Association with and into Light Street Savings and Building Association.

Mr. Klohr abstained on the motion relating to the Pleasant Hill/Metropolis merger.

8) The Board approved, after discussions and by proper motion the request of Forest Hill Permanent Building Association for acceleration of the repayment of its capital deposit subject to the submission of a certified notice (already received) that all accounts have been closed and balances paid to the respective owners of record. The discussion pointed out that this approval for acceleration did not set a precedent for such requests and that any future requests would be treated on a case by case basis.

This concluded the discussion of the Membership Committee minutes.

Mr. Berlin then called for the report of the Executive Vice President. The first item on Mr. Hogg's agenda was a request for waiver for the late filing of Form S/L 200 for the month of January by Chesapeake Savings and Loan Association and First Progressive Savings and Loan Assn. After proper motion was made and seconded, these requests were approved, with Mrs. Miles abstaining on the vote.

Mr. Hogg then reported that staff had concluded its study of Central Reserve Fund income for the first six months and recommended that the Board approve the payment of $774,336 for the first quarter and pay in advance $636,199 for the second quarter ended June 30, 1981. Total income from the Central Reserve Fund to be paid on March 31st is $1,410,535. The Board approved this recommendation by proper motion, with Mr. Bass abstaining.

Mr. Hogg then reported that agreement had been reached with the management of Sharon Savings and Loan and Security Savings and Loan for settlement of the March 17, 1980 letter agreement with the following terms:

1) MSSIC will pay Security the sum of $2,532,000 in settlement of all outstanding financial exposure and invoices.
2) Security will repurchase the mortgages according to schedule.
3) The liquidity waiver will remain in force.

The payment of the funds and the signing of a Termination Agreement and Servicing Agreement will take place today. The Board then passed by proper motion a resolution (copy attached) authorizing the Executive Vice President to execute those documents. Mr. Stocksdale abstained from this vote.

After discussion, Mr. Hogg was requested to prepare for members of the Board, and to be available for the membership, a complete report of the entire event, to include a chronology, cost study, lessons learned and other matters.

Discussion then moved to a proposed change to Section 3-211-Net Worth.- of the Rules and Regulations. Mr. Berlin and Mr. Hogg presented data to the members which showed that twenty-three associations now had, as of February 28, 1981, Net Worth to total savings ratios of under 6%, and that of these, ten were under 4%. It was noted that the 3.75% level (Section 3-211(A)(4)) for fiscal quarter reporting purposes was established in a very different economic environment, and that as a part of the total revision of the Rules and Regulations, the appropriate levels for both reserves and

2703

liquidity should be r[illegible]ewed and analyzed. In additi[illegible] it was noted that many of the corrective actions which could be required under Section 3-211(C)(1) might not be appropriate for a violation if the management of the association had already voluntarily taken the actions listed in (a-h) of that Section. Therefore, after lengthy discussion and consideration, which included several alternatives, the Board passed the following amendment to Sections 3-211 (A)(4) and 3-211(B)(2)(a):

> Section 3-211 (A)(4) - In no event may a member association have a total net worth of less than 3.25% of the aggregate withdrawal value of its free share accounts as of the last day of the fiscal quarter ending June 30, 1981 and less than 3.75% of the aggregate withdrawal value of its free-share accounts as of the last day of each fiscal quarter beginning July 1, 1981. Associations with less than 3.25% or 3.75%, as applicable, total net worth, calculated as aforesaid, may be subject to the imposition of sanctions in accordance with Section 3-211 (C) of this Regulation.

> Section 3-211 (B)(2)(a) - the end of each of its fiscal quarters in which its total net worth as a percentage of the aggregate withdrawal value of its free share accounts as of the last day of such fiscal quarter has declined to 3.25% or 3.75% as the case may be, and

In accordance with Section 3-801, these amendments were passed on an emergency basis, and will be submitted to the Director of the Division of Savings and Loan Associations on March 26, 1981.

Mr. Hogg then presented each Board member a copy of the Contingency Plan prepared by staff, and asked each Director to review this document and comment as appropriate.

After some discussion, it was decided that the presentation on Premium Restructure would be deferred to a later date. This topic continues to be of interest to both staff and the Board, but the changes necessary to implement a new premium structure are significant and the impact on both the membership and the Corporation are difficult to determine in the current economy.

Mr. Berlin then noted that this meeting was the last scheduled Board meeting for Messrs. Stocksdale and Klohr, both of whom have served two-four year terms as Directors. The sincere appreciation of the other members and of the Corporation were expressed to these gentlemen.

There being no further business, the meeting adjourned at 2:00 P.M.

Charles C Hogg II
Secretary of the Meeting

RESOLVED, that the President or Executive Vice President, and the Secretary or any Assistant Secretary, of the Corporation be and they are hereby authorized and directed to execute and deliver to Security Savings and Loan (A Stock Corporation), for and on behalf of the Corporation, (a) a certain Servicing Agreement in substantially the form attached hereto and (b) a certain Termination Agreement in substantially the form attached hereto and said officers are further authorized and directed to execute and deliver any other documents, and do any other act or thing, necessary or proper to finalize settlement of the offer described in letter dated March 13, 1981 from the Corporation to Security Savings and Loan (A Stock Corporation) and Sharon Savings and Loan (A Stock Corporation), which said offer was accepted by Security on March 18, 1981.

MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

Suggest that Union Trust Company of Maryland acting as Agent for the Corporation with full investment discretion be authorized to sell any security and to purchase U. S. Treasury Obligations maturing in five years or less, Federal Agency securities (to a maximum of 35% of the portfolio) also maturing in five years or less and short-term money market instruments as follows:

Maturity	Investment Objective %	Maximum Investment %	Minimum Investment %
1 year	50	No Maximum	50
2 years	35	50	No Minimum
3-5 years	15	25	No Minimum

AGENCY 622613008 - MARYLAND SAVINGS SHARE INSURANCE CORPORATION

SUGGESTED MATURITY SCHEDULE - ASSETS AS OF MARCH 1, 1981

(000 Omitted)

INVESTMENTS MATURING IN		PRESENT INVEST. PAR-BONDS	PRESENT INVEST. %	NORMAL INVEST. PER POLICY %	NORMAL INVEST. PER POLICY PAR	MAXIMUM INVEST. PER POLICY %	MAXIMUM INVEST. PER POLICY PAR	OVER (+) UNDER (-) MAXIMUM INVEST. PER POLICY
1 Year	3/1/81-2/28/82	$22,799	65.2%	50%	$17,497	100%	$34,994	$12,195-
2 Years -	3/1/82-2/28/83	4,805	13.7	35	12,248	50	17,497	12,692-
3-5 Years -	3/1/83-2/28/86	5,385	15.4	15	5,249	25	8,749	3,364-
Over 5 Years		2,005	5.7	-0-	-0-	-0-	-0-	2,005+
Total		$34,994	100.0%	100%	$34,994	----	------	------

2705

HARRY HUGHES
GOVERNOR

STATE OF MARYLAND

CHARLES H. BROWN, JR.
DIRECTOR

JOHN J. CORELEY
SECRETARY

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
231 EAST BALTIMORE STREET BALTIMORE, MARYLAND 21202
SEVENTH FLOOR
301 659-6330

December 9, 1983

Board of Directors
Sharon Savings and Loan
(A Stock Corporation)
4 East Franklin Street
Baltimore, Maryland 21202

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of February 28, 1983 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and specifically direct your attention to the following items of supervisory concern:

1. Comment 3 reflects that the association has either granted or purchased loans at sub market rates.

   Please advise this office as to why these loans were consummated at sub market rates.

2. Comment 8 reflects a drastic increase in delinquent loans since the preceding examination. Delinquent loans scheduled on Page 9 of the examination report are in excess of $6,000,000.00. In addition, delinquent and unpaid interest on these loans is in excess of $1,000,000.00.

   Please advise this office of the current status of each loan.

3. Comment 16 reflects a number of deficiencies in the books and records of the association.

   Please advise this office of the remedial action to correct these deficiencies.

IIIH4

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TOLL-FREE 1-800-492-7521

TTY FOR DEAF
BALTO. AREA 383-755[illegible]
D.C. METRO 565-0451

Board of Directors
Sharon Savings and Loan
(A Stock Corporation)
Page Two
December 9, 1983

4. Comment 17 reflects that the association has a number of investments which do not conform to the requirements of the Financial Institutions Article, Section 9-422.

   Please advise this office of the remedial adtion taken with regard to these investments.

   Finally, Comments 1, 2, 4, 5, 6, and 7, reveal serious deficiencies in the association's loan underwriting procedure and obtaining required loan documentation.

You should also review the other exceptions discussed with management and assure this Division that corrective action has been taken for each and every comment.

The Board's attention is directed to Examiner's Informational Comments B and C which outline the two most recent examination dates and also highlight the association's operating results for the period ended October 31, 1982.

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this division in writing of the specific action taken with respect to these matters.

We would also request that two copies of this response be forwarded to the division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

Very truly yours,

Charles H. Brown, Jr.

Charles H. Brown, Jr.
Director

CHB:JJB:lib

Enclosure

cc: Maryland Savings-Share Insurance Corporation

SHARON SAVINGS AND LOAN ASSOCIATION

Examiner's Comments

Comment 1:

An examination of the files of the mortgage loans granted during the period December 1, 1981 - February 28, 1983, revealed the following:

A. Loan file No. 7129 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

B. Loan file Nos. 7178, 7129, 7127 and 7244 did not contain the original of the current insurance policies as required by Regulation .23D.

Loan file No. 7219 contains insurance declarations which show the incorrect property address.

The insurance policy in loan file No. 7243 did not contain sufficient coverage to protect the interest of the association as required by the above referenced regulation. Loan file No. 7129 did not include a flood insurance policy which was a requirement of the commitment.

C. The applications in loan file Nos. 7127 and 7244 did not contain financial information on the borrowers as required by Regulation .23A(2)(c).

D. Loan file Nos. 7178, 7219, 7127, 7194, 7175, and 7196 did not contain appraisal reports as required by Regulation .23B.

Loan file No. 7140 did not contain the appraiser's qualifications as required by the above referenced regulation.

The appraisal report in loan file No. 7244 did not contain an appraiser's certification as required by Regulation .23B(4)(a) and (c). This appraisal in loan file No. 7244 was four years old at the time the loan was made. The appraisal report in loan file No. 7140 did not contain an appraiser's certification as required by Regulation .23B(4)(b) and (c).

E. Loan file Nos. 7219 and 7196 did not contain a certification of title as required by Regulation .23C.

The title certification in loan file No. 7178 did not include the property located at 438 Pitman Place.

Comment 2:

A review of the documentation supporting purchased loans revealed the following:

A. Loan file Nos. 7251 and 7252 did not contain mortgage instruments as required by Regulation .29A(2)(f).

Loan file Nos. 7158, 7159, 7167, 7168, and 7178 did not contain an assignment of the mortgage to Sharon.

B. Loan file Nos. 7158, 7159, and 7251 did not contain the original of the current insurance policy as required by Regulation .23D.

The insurance policy in loan file Nos. 7167, 7168, 7245, 7247, and 7252 were not endorsed to Sharon.

C. Loan file Nos. 7245 and 7265 did not contain an application as required by Regulation .28B(2).

D. Loan file Nos. 7247 and 7265 did not contain appraisal reports as required by Regulation .23B.

Comment 2: (Con't)

E. Loan file No. 7245 did not contain a title certification as required by Regulation .23C.

The certifications of title contain in loan file Nos. 7167, 7168, and 7265 were not endorsed to Sharon.

F. Loan file Nos. 7245, 7247, 7251, and 7252 did not contain a memorandum of settlement as required by Regulation .28B(3).

Comment 3:

During the review of the association's lending activities, it was revealed that in a number of instances, several mortgages were made or purchased at sub market rates:

A. A group of loans was purchased from Center Savings and Loan at a rate of 10%. Please advise the division why the loans were purchased at a sub market rate.

B. Commercial loan No. 7127 (8% rate) was granted to Jeffrey Levitt and Alan Pearlstein on December 18, 1981, in the amount of $1,100,000.00; the security property consisted of twenty units, "Courthaven Condominium".

The examiners noted that this loan was granted in order to avoid a possible foreclosure upon the former borrowers.

However, it is the position of this Division that the 8% rate was well below market at that time, and also below the association's cost of money.

Please advise this Division as to why the loan was granted at such a sub market rate.

Comment 4:

A review of the documentation supporting construction loans revealed the following:

A. Coastal Mini Storage - Loan No. 7236

1. Appraisal uses market value for land but does not state comparables used. The appraisal for the land is double the purchase price of the property.

2. Title insurance policy only insures for $111,000.00, while the amount disbursed to date is $185,575.06.

3. Missing Plat Plans and Building Specifications.

B. Jockey Beach Club, Inc. - Loan No. 7133

1. Outdated verification of income.

2. Plat Plans missing.

3. House Specifications missing.

4. Extension Agreement missing.

5. Inspection Reports not dated.

C. Thomas & Carol Shaner - Loan No. 7239

1. Hazard Insurance Policy not in file.

2. Title Insurance Policy not in file; no title certificate in file.

2712

Comment 5:

Army Associates - Loan No. 7128

A review of land development loan No. 7128 revealed that the association has made a $1,900,000.00 land development loan on approximately 95 acres of undeveloped land.

One year after making the loan, the engineering surveys have not yet been completed, the final plat has not yet been recorded and the public works agreement has not yet been signed.

There are no final land development specifications in file and there is no disbursement schedule in file.

Please submit to this office plans for the development of this project as well as a cost analysis to develop this property.

A review of the loan file also disclosed the following missing documentation:

1. Construction Loan Agreement;

2. Disbursement Schedule;

3. Recorded Plat Plan;

4. Application and verification of income from borrowers.

The association failed to get the spouses of two of the co-mortgagors to personally guaranty the loan.

There is a projected construction allowance in file dated September 30, 1981, in which cost of construction + settlement costs equal the total amount of the loan. This projected construction allowance has no provision for soft costs, project management, contingencies, or interest.

As of February 28, 1983, $123,758.46 has been drawn from Loans-in-Process for interest payments.

Since there is no disbursement schedule, please state how draws are being handled.

The association has disbursed $124,460.87 in draws other than at settlement, to reimburse Army Associates for the down payment made to Penn Central Corp., and for interest. Please submit to this office adequate documentation for the payment of these funds out of Loans-in-Process.

Comment 6:

Burke-Vincent Place Associates - Loan No. 7202

A review of construction loan No. 7202 Burke - Vincent Place Associates for $1,400,000.00 revealed that there is an exculpatory clause on all documents by the general partners, notwithstanding a personal guaranty for the lesser of $258,000.00 or principal balance in excess of $1,142,000.00, and a personal guaranty of completion.

Although the general partners signed the legal papers in the loan file, none of the spouses of any of the general partners signed any of the legal documents.

Endorsements for the title policy are only insuring to $406,716.00. Total disbursed as of March 10, 1983 was $566,442.00.

The association disbursed $406,716.00 at settlement; the appraised value for the land was $220,000.00, and $49,281.00 was disbursed for engineering and architectural costs. This represents a 162.5% loan to appraised value disbursement at settlement ($406,716 - 49,281 = $357,435; $357,435 ÷ 220,000 = 162.5%).

Since this is an out of state loan, what precautions is the association taking to insure that no mechanics or materialmen's liens come before the association's lien?

2713

Also, since the title policy is not insuring against loss or damage by reason of the development agreement between Burke - Vincent Place Associates and Memco Stores, Inc., does not the recordation of the memorandum for the development agreement in Deed Book 5688, page 1871, come before the association's lien?

Furthermore, verification of income is insufficient; also, the contract of sale is missing. Regulation .23A(2)(e) requires a contract of sale if sale occurred during the past year.

A review of the draw schedule revealed that the association will allow $200,000.00 for site work. There is no break-down on the draw schedule as to how this $200,000.00 will be paid.

The association made the loan prior to any of the 12 stores being leased as of February 28, 1983. There is no proof in the loan file that any of the stores have been leased.

Comment 7:

Renovation Loan No. 7264 - 627-633 Esplanade Associates:

A review of the loan file documentation supporting this loan revealed the following:

A. The association made a land purchase and renovation loan for $3,000,000 based on an appraisal of $2,091,000 after renovation for a loan to value ratio of 143.5%, a violation of Regulation .30C(4)(b).

B. The appraisal stated a land value of $1,500,000. The association disbursed $1,800,000 at settlement, making the association's exposure on the land draw 120%, which is in excess of the guidelines set forth in Regulation .30C(6)(a).

C. The loan file did not contain the original of the current insurance policy as required by Regulation .29A(2)(d).

D. There was no certification of title as required by Regulation .23C.

E. The loan file did not contain a trustee agreement, construction loan agreement, and a disbursement schedule.

F. There is no recorded document in file permitting the units to be recorded as time sharing units.

G. The association has disbursed a total of $868,000 for salaries, operations, furniture, supplies, etc. which do not improve the property and for which the association has not obtained adequate verification for a number of these expenses.

H. A number of questions concerning this loan transaction were directed to management, many specifically relating to questions applicable to Louisiana Law. To date, no response has been made to our inquiries:

(1) In what way is Louisiana Law different from Maryland Law in the recording of a lien on real property? Can any lien take priority over the association's lien or any part of the lien and, if so, what procedures is the association taking to protect the priority of its lien?

(2) Does the association have a perfected lien on the personal property furnishing the time sharing units?

I. During the course of the examination, the examiners asked management to answer questions on this loan in writing. The examiners have not received a written reply to the following questions:

(1) What are enforceable security instruments on this loan? What are the legal documents on this loan that protect the association's $3,000,000.00 investment?

(2) The examiner asked the association to reconcile draw requests and invoices in the loan file to the draws made.

The association is reimbursing the partnership for operation expenses but is not requiring the borrower to submit proper verification of these expenses.

Example:

@ 2/28/83 Amount Disbursed	$2,267,929.37	
Less: Purchase Price	1,400,000.00	
Difference	$ 867,929.37	(This is for operations, interest & furniture)

The $2,267,929.37 is already over appraisal, and from the draws, there appears to have been little construction done.

Please submit to this office signed inspection reports for construction done on this project as well as a summary of the work remaining to be done.

(3) Since there is no draw schedule, on what basis is the association disbursing funds?

(4) How are the releases being handled on the property?

(5) A review of the loan file revealed that the borrower has drawn money from the funds in the loans-in-process account to buy antiques to furnish the condominiums. Please state what procedures have been implemented to insure that the antiques were placed in the condominiums. What is the Louisiana Law as regards to filing financing statements for the purpose of recording a security interest in personal property?

(6) Is 627-633 Esplanade Associates still the owner of the improvements known as 627 and 633 Esplanade Avenue? If not, please state who the present owner is.

(7) Have the partners of 627-633 Esplanade Associates changed since November 24, 1982? If so, please state who the present partners are. Have the partners of Rue Esplanade (one of the partners in 627-633 Esplanade Associates) changed since November 24, 1982? If so, please state who the present partners are.

(8) Who are the owners of Franklin Street, Inc., stock? Does Sharon Savings and Loan Association or Security Savings and Loan (A Stock Corporation) own any of the stock of Franklin Street, Inc.? What is Sharon Savings and Loan Association's and Security Savings and Loan's (A Stock Corporation) investment in Franklin Street, Inc.? Does any officer or director of Sharon Savings and Loan Association own any of the stock in Franklin Street, Inc.? If so, please state who the owner is and how much stock they own.

(9) Who are the present members of the seven-man Governing Committee for 627-633 Esplanade Associates?

(10) Association personnel have stated to the examiners that there have been problems among the partners of 627-633 Esplanade Associates.

Please state the problems that have arisen with the 627-633 Esplanade Associates loan; and specify how they affect Sharon Savings and Loan's interest in the property and/or the loan.

Please respond to each specific question posed above.

Comment 8:

A. An analysis of the subsidiary mortgage loan records reflected the existence of thirty-five delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $6,529,917 as of the date of the current examination, representing a delinquency ratio of 7.7% of the total mortgage loan balances outstanding.

During the period of the current examination, the total outstanding balance of the delinquent accounts increased from $3,637,413 to $6,529,917. The delinquent and unpaid interest on the loans subject to comment totaled $1,112,463.

A review of the loans subject to comment scheduled on page nine of this report reflected that loan Nos. 6743, 6764, 6854 and 5850, which were subject to comment in the prior report of examination, had not been amortized as to principal and interest during the twelve month period immediately preceding the date of the current examination.

B. A review of the delinquent mortgage loans scheduled on page nine of this report of examination revealed that the unpaid principal balance of $51,869.04 for the Morris Shuvalsky loan (3711-13-15 South Hanover St.) exceeded the $40,000.00 original amount of this loan.

Please advise this Division of the current status of each loan listed on page nine of the examination report.

Comment 9:

An analysis of the subsidiary mortgage expense accounts reflected that twenty-six accounts had debit balances totaling $11,040 as of the date of the current examination.

The mortgagors' expense accounts should be reviewed and adjustments to the required payments should be made to compensate for the increased cost of taxes and insurance.

Comment 10:

A review of the association's method of paying interest on escrow revealed that its method of calculating escrow at 4% is in violation of Section 12-109 of the Commercial Law Article which provides that escrow interest shall be paid at the greater of 3% or the rate of interest regularly paid by the lending institution on regular passbook savings accounts.

Comment 11:

A review of the minutes of the meetings of the Board of Directors revealed the following:

A. There was no resolution authorizing the formation of the Milpond Service Corporation.

B. No discussions or authorizations for salary increases.

C. Minutes were not provided for December, 1981. There were no minutes following the annual meeting of February 17, 1983 which should have shown the election of officers for the coming year.

Comment 12:

A review of the association's fidelity bond revealed that the present coverage of $810,000 is $175,000 less than the $985,000 required by Regulation .22.

Comment 13:

A review of the association's current advertising program revealed that many of the ads state, "Each account insured to $100,000". M.S.S.I.C. is omitted as being the insurer of these accounts.

Comment 14:

The association had $5,450 in forgeries. Part of this amount was reimbursed under a blanket bond leaving the association a net loss of $1,000. This misappropriation of funds was never reported to the Division as required by Regulation .221.

2716

Comment 15:

Dormant accounts totaling $113,045.59 are carried on the books. Section 17 of the Commercial Law Article presents a method for proper disposition of these accounts.

Additionally, the association is carrying $13,922 in general ledger account No. 2090290, and could not provide any supporting information to determine if these accounts qualify as abandoned pursuant to Section 17 of the Commercial Law Article.

Furthermore, no supporting information could be found to determine if general ledger account No. 2530290 containing old outstanding checks qualify as dormant under the above referenced article.

Comment 16:

An examination of the books, records and accounting practices revealed the following:

A. The total of the subsidiary mortgage loan accounts was $189,526.49 less than control account Nos. 1010 and 1030 in the general ledger.

B. The total of the subsidiary mortgage expense accounts, on-line, was $1,301.59 more than the control account No. 2420690 in the general ledger.

The total of the subsidiary mortgage expense accounts, off-line, was $1,169.56 less than the control account No. 2422690 in the general ledger.

C. The total of the subsidiary free share accounts was $3,847.73 less than general ledger control account No. 1215.

D. The total of the subsidiary free share accounts exceeded general ledger control account Nos. 2010106-2070110 by $3,817.37.

E. Retirement accounts are not segregated in the general ledger as required by Regulation .36B.

F. The subsidiary GNMA pass-thru certificate pools exceeded the general ledger control account No. 1040690 by $466.80.

The subsidiary premium on the above exceeded the general ledger control account No. 1080693 by $272.40.

G. A review of general ledger account No. 1410590 (U.S. Govt. and Agency Obligations) and general ledger account No. 1411590 (Premium/Discount on U.S. Govt. and Agency Obligations) revealed that a $2,504.00 variance existed between the general ledger and the subsidiary records as follows:

Total per subsidiary records @ 2/28/83		$4,008,683.38
G/L account No. 1410590 @ 2/28/83	$4,000,000.00 dr.	
G/L account No. 1411590 @ 2/28/83	$6,179.38 dr.	
Less: Total per G/L @ 2/28/83		$4,006,179.38 dr.
Variance		$ 2,504.00

Further examination revealed that this variance could be traced to the difference between the balance of general ledger account No. 1411590 (Premium/Discount on U.S. Government and Agency Obligations) and the total of the net unamortized premium shown on the subsidiary records, as follows:

Unamortized Premium @ 2/28/83 per Subsidiary:	$18,750.52
Less: Unamortized Discount @ 2/28/83 per Subsidiary	(10,067.14)
Net Unamortized Premium @ 2/28/83 per Subsidiary	$ 8,683.38
Less: Balance of G/L account No. 1411590 @ 2/28/83	$ 6,179.38 dr.
	$ 2,504.00

2717

Please investigate this variance and make any appropriate adjusting entries required to bring the general ledger and the subsidiary records into balance.

H. A review of the MRO K-8 tax revealed that it was underpaid by $291.92.

I. The association's records contained numerous errors and mispostings. Several journal entries were made without authorizing signatures and without detail to identify the nature of the entry.

It is suggested that the association implement an internal audit system so that: (1) there will be an ongoing program to discover and correct these errors, and so that; (2) subsidiary ledgers will be maintained in such a fashion to support general ledger control accounts.

Comment 17:

A review of the association's certificates of deposit revealed that the association has granted loans to related companies totaling $8,600,000.00, as follows:

MIC	$2,400,000.00
Milpond	2,200,000.00
Franklin Street	2,200,000.00
MSD Associates	600,000.00
Sun Title	600,000.00
121 Associates	600,000.00
	$8,600,000.00

Accrued interest on the above totals $106,317.04, as of the examination date.

The $8,600,000.00 was reinvested by the borrowing companies in Jumbo certificates of deposit, which subsequently were assigned to Sharon S&L. The income from these certificates is credited to Sharon S&L general ledger account No. 3220-390; the loans to the related companies carry the same rate of interest as the Jumbo certificates.

The association is advised that the above violates Title 9-422 of the Financial Institutions Article, which requires that the association take title to all investments in its own name.

Comment 18:

A review of deferred commitment fees disclosed that in some cases income is being amortized over seven months instead of loan term or seven years, as provided in Regulation .11C(2). A case in point is the Woodhouse Row 5% ($125,000) commitment fee, where 3% ($75,000) was taken into income immediately, and 2% ($50,000) was deferred and subsequently amortized over seven months.

The association is requested to review its treatment of deferred fees, and make the necessary adjustments, to comply with the above referenced regulation.

Comment 19:

A review of the association's cash reconciliations revealed the following:

A. The association's cash reconciliation of its main checking account No. 601-2405-0, maintained at the Equitable Trust Bank, carried many old outstanding items which should be researched and reconciled. Some of these items date back to April, 1982. Much of the supporting documentation requested by the examiner was never furnished.

B. The dividend account reconciliation does not show deposits in transit as reconciling items. Additionally, it carries thirteen outstanding checks totaling $1,218.67 which are over a year old. These checks should be taken off the monthly reconciliation and documented until they qualify as abandoned property. In addition to these checks, several other cash reconciliations are carrying old outstanding checks which should be credited to the reserve for outstanding checks.

Comment 20:

A. A review of the documentation in support of loans in process revealed that the subsidiary records exceeded the general ledger control account by

$103,776.25.

E. A review of the loans-in-process cards as of the February 28, 1983 examination date revealed that loan Nos. 7028 (Pecora Enterprises, Inc.) 6730 (Ezersky), 6760 (Regent Development Co.), and 7064 (Stanley & Lloyd) have not had any draws except for interest for over one year. Please respond to the following for each loan:

1. Work remaining to be done;
2. Degree of completion;
3. Estimated cost to complete;
4. Any problems the builder is having;
5. Any problems the borrower is having;
6. Why there have been no construction draws for such a long period of time;
7. The current status of the loan;
8. Any potential problems the Association can foresee;
9. Are there sufficient funds in the Construction-in-Progress account to finish the project? If not, what the Association intends to do;
10. Whether anyone is inspecting the properties periodically to insure that no vandalism has occurred.

The examiners posed the above questions to management during the course of the examination; however, management's response did not address most of the areas of concern. Therefore, management is requested to make a formal, written response to the questions stated above.

Comment 21:

A review of the association's Woodhouse Row time sharing condo project revealed the following:

A. The association has not set up separate income accounts on the general ledger to account for time sharing income.

B. Loan file Nos. 29 and 120 contained documentation deficiencies of which the association has been made aware.

C. There is an unreconciled $1600 variance between the subsidiary records and the general ledger control account No. 1255690.

Comment 22:

An examiniation of the books and records of the association's wholly owned subsidiary, MIC, revealed the following:

A. The minute book of the Board of Directors was not available for review by the examiners.

B. There was no evidence that an annual meeting was held, as required by Article I, Section I of the MIC bylaws.

C. The Duncan's Family Camground loan, having unpaid principal totaling $198,523, is still delinquent. This loan was subject to comment in the prior report of examination.

D. The association did not submit MIC's annual financial statements to the Division as required by Regulation .34E(2)(a).

The association did not provide articles of incorporation, current officers and directors, etc. for the Milpond Corporation and the Franklin Street Joint Venture.

Comment 23:

A review of the third party audit of the association's computer center disclosed that the association has no written contingency plan for back-up in the event of a catastrophe at the computer center. An auxilliary system should be implemented and tested to insure the perpetuation and safety of all accounting records.

Comment 24:

A review of the association's investments revealed that the association is carrying

$500.00 in general ledger account No. 1495390, representing stock in FMS, Inc. Since FMS is now defunct, this $500.00 investment should be written off.

Comment 25:

A review of the action taken to correct the exceptions set forth in the prior report of examination revealed that the following comments remain uncorrected:

Comment 1:

A. Loan file No. 6950 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

The late charge imposed on a borrower if he fails to make his payment on time was omitted from the mortgage instrument in loan file No. 7053.

D. Loan file No. 7064 did not contain appraisal reports on properties located at 1921 York Road, 815 Belair Road, and Route 40 Edgewood as required by Regulation .23B.

E. Loan file No. 6964 did not contain a certification of title as required by Regulation .23C.

Comment 7:

B. A review of the loan files revealed that Deeds of Trust Notes are currently being kept within the loan files. As these notes are negotiable instruments, it is recommended they be kept in a locked compartment with access only to authorized personnel.

INFORMATIONAL COMMENTS:

A. A review of the documents required to be remitted to the Federal Reserve in support of NOW accounts revealed that the association is using estimates instead of actual figures on these reports.

Although the association is not currently required to have funds on deposit with the Federal Reserve, the filing of these reports should be accurate and factual.

B. A comparative analysis of the financial condition of the association as of February 28, 1983 and November 30, 1981 revealed the following:

			Increase (Decrease)	
	February 28, 1983	November 30, 1981	Dollar Amount	Per Cent
Total Savings	$89,937,251.22	$60,010,836.67	$29,926,414.55	49.9%
Total Net Worth	4,560,960.92	3,847,341.10	713,619.82	18.5
Total Mortgage Loans	85,303,282.03	57,908,598.02	27,394,684.01	47.3
Total Assets	113,339,420.88	71,908,874.66	41,430,546.22	57.6

C. A review of the association's earnings for the calendar/fiscal year ended October 31, 1982 disclosed the following:

		Dollar Amount	% to Net Oper. Inc.
1.	Net operating income (Page 6, Line 1)	$8,314,276.59	100.0%
2.	Taxes (Page 6, Line 4)	12,258.00	0.2
3.	Earnings distributed on savings (Page 6, Line 3)	7,966,456.69	95.8
4.	Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	335,561.90	4.0
5.	Net income distributed (Total of 2, 3 and 4 above)	$8,314,276.59	100.0%

2721

Savings Association Insurance ...

EXAMINATION AS OF

Current Policy or Certificate No.

Association Gen...

4 E. Franklin Street — Baltimore, Maryland — 21202
Address — City — State — Zip Code

Address of Branches

(1) 332 N. Liberty St. Baltimore, Md. (4) 1544 York Rd. Lutherville, Md.
(2) 11312 Reisterstown Rd. Owings Mills, Md. (5) 1417 Crain Hwy Glen Burnie, Md.
(3) 10 N. Tollgate Rd. Bel Air, Md.

Free Share or Savings Accounts — Mortgage Loans

No. 16,811 — $89,937,251.22 — No. 1080 — $85,303,282.03

Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period
December 26, 1978	Stock	October 31st	Third Thursday in February	7% Credited Monthly

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	(x) Director
(1)	Zell C. Hurwitz	6724 Chokeberry Rd.	Baltimore	President	(X)
(2)	Theodore C. Denick	← Woodland Rd.	Lutherville	Secretary Vice-President	(X)
(3)	Lee K. Hurwitz	3601 Clarks Lane	Baltimore		(X)
	Sydney Brown	3200 Old Post Dr.	Baltimore		(X)
	Samuel Rubin	1 Slade Ave.	Baltimore	Vice-President	(X)
(6)	Gerald Brown	3405 Old Post Dr.	Baltimore		(X)
(7)	Robert Schwartz	5934 Daybreak Terrace	Baltimore	Operations Vice-President	
(8)	Leah Meledones	603 Southgate Rd.	Aberdeen	Lending Vice-President	
(9)	Judith Frank	8 Dowling Cir. Apt. A-2	Baltimore	Branch Operations Vice-President	
(10)	Marc Hurwitz	6724 Chokeberry Rd.	Baltimore	Vice-President	
(11)	Mishel Silverman	7119 Boxford Rd.	Baltimore	Treasurer Vice-President	
(12)	E. Jack Carey	298 Church Circle	Linthicum	Comptroller	
(13)					
(14)					
(15)					

Counsel

Name: Bass and Denick, P.A.
Address: Title Munsey Building
Baltimore, Maryland 21202

Accountant

Name: Glass, Freedman and Travis, CPAs
Address: 222 St. Paul Place
Baltimore, Maryland 21202

Period of Examination	
From 3-15-83	To 5-6-83

Examiner-in-Charge
[illegible]

FORM DLR BSL #4 8-80 81-192

IIII5

2722

SHARON S + L.

February 20, 1984

A special meeting of the Board of Directors of Sharon Savings and Loan was called to order by its President, Zell C. Hurwitz, at 10:00 a.m. on Monday, February 20, 1984 at the executive offices of the Assoication, 4 E. Franklin Street, Baltimore, Maryland.

Mr. Hurwitz acted as Chairman of the meeting and Mr. Denick acted as Secretary. All of the Directors were present.

Mr. Hurwitz advised that the purpose of this meeting was to act upon the examination of the books and records of the Association conducted as of February 28, 1983. Mr. Hurwitz proceeded to read the letter of December 9, 1983 from Charles H. Brown, Jr., Director of the Division of Savings and Loan Associations. After Mr. Hurwitz read the letter, he then reviewed with the Directors present the various reports and schedules that were attached to the examination and the Board then proceeded to the examiner's comments. Mr. Hurwitz advised that several officers and employees had devoted considerable time to the necessary response to the Division and their reports and actions are incorporated herein. Whereupon the following action was taken:

Comment 1

A. The original mortgage was at our attorney's office for foreclosure (#7129) and the file so noted.

B. 1. #7178, 7129, 7127 have been ordered. #7244 is in file.

2. Endorsement has been ordered to correct address #7219.

3. Coverage has been increased #7243.
Flood Insurance has been ordered #7129.

C. #7127 - Financial information is in file.
#7244 - A new financial statement has been ordered from borrower.

D. 1. #7178 - Loan was purchased from an individual; a sight appraisal was done.
#7219 - Loan was processed to save from foreclousre - no new appraisal necessary.
#7127 - Loan was processed to save from foreclousre - no new appraisal necessary.
#7194 - Our REO - no appraisal necessary.
#7175 - Our REO - no appraisal necessary.
#7196 - Appraisal is in file.

2. #7140 - Appraiser's qualifications have been requested.

3. #7244 - Our REO - we feel appraisal in file is adequate.

4. #7140 - Appraiser's certification is requested

E. 1. #7219 - Title certification is in file.
#7196 - Title certification is in file.

2. #7178 - Title certification is in file and shows 438 Pitman Place.

RECEIVED DEPT. OF LIC. & REG. DIV OF SAV. & LOAN ASSN

IIIH6

2723

Comment 2

A. 1. #7251 & #7252 - Both mortgages are in files.

2. #7158 & #7159 - Assignments are in Master Camelot file.
#7167 & #7168 - Assignments are in Master Courtyard file.
#7178 - Assignment is in file.

B. 1. #7158 & #7159 - Policy is in Master file.
#7251 - Policy is in file.

2. #7167, #7168, #7245, #7247 & #7252 - Endorsements have been ordered.

C. #7245 - Applications have been requested from Center Savings & Loan.
#7265 - Application must be misfiled - we have requested borrowers to complete another.

D. #7247 - Appraisal is in file.
#7265 - Another appraisal has been requested.

E. 1. #7245 - Title certification has been requested from Center Savings & Loan.

2. #7167 & #7168 - Title certification in Master file.
#7265 - Endorsement to title policy has been requested.

F. #7245, #7247, #7251 & #7252 - Settlement sheets have been requested from Center Savings and Loan.

Comment 3

A. From time to time, this Association and other financial institutions buy and sell mortgages. The mortgages are generally bought and sold to yield a specific rate and/or for the necessity of having the Association's money committed for a certain period of time and at a certain rate. Similarly, financial institutions sell mortgages when they require cash assets or believe that cash be reinvested at higher rates or profits. It is not unusual for Associations to buy seasoned mortgages to complete their portfolios when in fact the Association might be heavily involved in commercial loans and not have a sufficient diversification in residential loans. Such transactions are made on the recommendation of economists, financial committees and/or Boards of Directors taking into consideration the needs, goals and procedures of the particular financial institution. It is not unusual for such loans to be bought or sold either below or above the current market rate. Additionally, financial institutions must, of necessity, anticipate the financial climate for the future and hopefully, to be successful, the anticipations would be correct. There is no assurance that such projections would be correct.

B. Loan No. 7127 resulted in a workout of a loan. This particular loan was the first joint venture with a real estate developer that the Association attempted. The market changed while construction was in progress and several persons who had a contract to purchase withdrew when interest rates increased and rather than keep it on the Association books it was sold under the terms set forth in the documents. Included in the terms, in addition to the interest rate, is a provision that the Association will obtain a percentage of the profits on disposition of the Units. This could result in a substantial profit to the Association which would effectively increase any stated interest rate in the loan documents.

Comment 4

A. 1. #7236 - We have contacted the appraiser and he stands by his original appraisal and figures. He feels that the borrower got an excellant buy.

2. The coverage in the title policy is increased as improvements are completed.

3. We have the Plans & Specifications back from the appraiser.

B. #7133 - This loan is paid in full.

C. 1. #7239 - Policy is in file.

2. #7239 - Title policy is in file.

Comment 5

Army Associates acquire 95 acres of undeveloped land in Baltimore County, at or near Morse Road. This area remains one of the last remaining parcels in Baltimore County that has potential for major development. The overall plan of the partnership was to acquire additional raw land in the immediate vicinity contiguous to the 95 acre parcel. The acquisition of the additional land would effectively reduce the land development costs and the public works agreements required by the County. Subsequent to the acquisition and additional parcel containing 53 acres was purchased by a venture known as Industrial Development Corporation. A third contiguous parcel was purchased by Beechwood Development Corporation. Thereafter, Army Associates advised this Association that it was negotiating with Beechwood Development Corporation for the sale of its assets and requested that they be permitted to withhold on their development plans pending such negotiations. It is anticipated that the three (3) projects will be consolidated and prove a very valuable investment.

We believe that there is some confusion in the Examiner's reasoning when under several loans, the Examiner notes that "failed to get spouse's signature" and "none of the spouses signed". There is nothing unusual and in fact, it is customary, that successful realtors do not have spouses join in business ventures.

Comment 6

This appears to be another loan which exceeded the understanding of the Examiner. On large project, it is not unusual and in fact, it is customary, to have an exculpatory clause. This is the type of clause that provides the lender will look to the property for satisfaction of its indebtedness and not to the individual borrower. It is obvious from the Examiner's comment that the Association went further to protect itself when it granted the exculpatory provisions by securing personal guarantees for completion and a portion of the indebtedness. Again, in view of the financial statements submitted by the General Partners, their reputation and past performances, it was obvious that the Association would not be able to obtain this loan if it required signatures of spouses who had no direct interest in the venture.

When granting out of state loans, the Association consults with attorneys of that state to determine whether our mortgage will take precedent over mechanic's liens, the manner and time involved in the event foreclosure is necessary and such other investigation as is reasonable and prudent under the individual circumstances.

Comment 7

This was a rather lengthy comments involving 627-633 Esplanade Associates, which is located in New Orleans, Louisiana. Mr. Hurwitz explained to the Board the entire history of the loan plus the many ramifications thereof. He further stated that one of the employees of the Association, David Hurwitz was devoting almost full time to this loan.

This was not a land purchase only and therefore, the conclusion that the land appraisal of $1,500,000.00 was the sole security was completely erroneous. There are two (2) separate apartment building built on the land each containing several units separated by a swimming pool. The projection is that the units will be subdivided into 52 week periods and individual weeks will be sold under time sharing condominium basis. The property is located on the border of the French Quarter in New Orleans and is one of the last three projects that the Parish (name used for counties in Louisiana) has authorized to be converted into time sharing. The developers project sales in excess of $5,000,000.00. The project was slow in getting off the ground as there developed a dispute between the partners. However, two (2) of the partners have withdrawn and the remaining principal partners are attorneys and the project now appears to be moving along.

Concering insurance, it has been confirmed that the necessary policy is in place and there is a title insurance policy in the file which the examiner saw but did not realize that it is a certification of title. The records of the recorded time sharing documents are maintained in Louisiana and a legal firm has been retained in Louisiana which represents our Association. That firm retains the recorded documents concerning the recording of the time sharing units. Louisiana law is somewhat different from Maryland's in that it adopted the Napoleanic Code as opposed to English Common Law and once a mortgage is recorded, as the Association has recorded, a first lien, there cannot be any intervening liens that would take precedent, other than taxes and normal city charges. Louisiana has adopted the Uniform Commerical Code and liens are perfected by recording financial statements. Although the Louisiana law is somewhat different than Maryland in foreclosure proceedings in that it requires personal service while Maryland law does not, it is much more difficult to enjoin foreclosure proceedings in Louisiana than it is in Maryland. Because of the personal service requirement, Louisiana requires that a bond be filed by a mortgagor if they wish to hold up a sale while Maryland generally accepts an affidavit with a petition setting forth that the parties have a defense. The Association continues to have in its file a first mortgage lien. Included in the lien is furfurnishings for the apartments for which the Association has financing statements.

On time sharing units, releases are handled in two (2) separate fashions. Namely, when a full apartment is sold, all fifty-two (52) weeks of the unit can be released. In the alternative, when the parties so elect they can release specific weeks on specific units. It was agreed with the borrowers that they will concentrate sales under two (2) units at a time and therefore in the unlikely event that the time sharing concept does not effectively move on the project, then complete apartments can be sold or rented.

Periodic visits are made to New Orleans by representatives of the Association, which are for the purpose of determining that the furnishing are in fact placed in the unit, that the work is progressing as agreed and represented and that the furnishings are adequately secured through insurance.

The project is still owned by 627-733 Esplanade Associates, a Louisiana Partnership. However, the partnership has changed in that Messrs. Cloke and Cressey have withdrawn from the partnership and Mrs. Center and Malcolm Zigler, an attorney, have entered into the partnership. taking the place of Franklin Street Associates, which was a Louisiana Corporation, wherein Sharon Savings and Loan owned all of the issued and outstanding stock. None of the officers or directors of Sharon Savings and Loan and/or Security Savings and Loan owned any stock in the Corporation which is now strictly a straw party and does not have any investment therein.

At the time of the examination, the seven (7) man governing committee consisted of Messrs. Senter, Cloak, Cressey, Ziegler, Gore, Hurwitz and Denick, but this has been restructed in that Cloak and Cressey have withdrawn from the partnership, Gore is no longer employed by this Association and Ziegler has taken an equitable position. Hurwitz and Denick merely oversee the Association's interest.

Zell C. Huwitz, Theodore C. Denick and David Hurwitz are leaving on February 21, 1984 for New Orleans and expect to return the following day. At that time, they are meeting with representatives of the project and with a large local law firm in New Orleans who is now representing the Association to secure further documentation and oversee the expeditious handling of this matter.

Comment 8

This comment has heretofore been answered in certain of the other responses to the examiner's comments as well as information sent directly to the Division.

Comment 9

Mortgagors' expense accounts were formerly analyzed by individuals mechanically. Since that time, mortgagors' expense accounts have been placed "on line" with the computer and this should resolve any prior problems on increasing expense accounts to conform to taxes, insurance and ground rent, if applicable.

Comment 10

Section 12-109 of the Commercial Law Article provides that escrow interest should be paid at the greater of 3% or the rate of interest regularly paid by the lending institution on regular passbook savings accounts. The Association has a regular passbook savings account providing for 4% interest and therefore, the Association is in compliance with the Commercial Law Article.

Comment 11

A review of the minutes was referred to the Secretary of the Association who advised that he would review the minute book to determine whether or not such items as are enumerated in Comment 11 were missing. The Secretary stated that offhand, he could not comment directly on the particular comments without further investigations, but did state the following:

A. There was communication between the Division and the Association concerning Milpond Service Corporation and that this Board had approved the same.

B. There were extensive discussions on any salary increases of Officers and Directors and the increases were reflected in the minutes of the meeting. Detailed discussions of such items are not normally placed in the minute book.

C. The Examination by the Division was made as of February 28, 1983 and it would not be unusual that the minutes for that meeting would not be inserted into the minute book until the March meeting, at which time the Secretary reads the minutes of the prior meeting and necessary corrections are made.

Comment 12

Bond was increased to $985,000. and has been increased again to $1,000,000. at present.

Comment 13

This comment was brought to the attention of the advertising representatives of the Association and they agreed to be more careful in the future.

Comment 14

Comment refers to the Mueller forgery, settled by the bonding company in February, 1982. A copy of the letter to the insurance company in September, 1983 was sent to the Division, apparently misfiled. In addition, there was at least one telephone discussion with supervisory personnel of the Division on this matter. The Association is scrupulous in notifying the Division of losses as soon as they are aware of them.

Comment 15

Figure represents inactive accounts, not dormant. Proper disposition is being followed.

$13,922 represents accounts from the old Monumental Building & Loan, in receivership until merged with Sharon in 1978. Funds are held per merger agreement.

Balance in account 2530290 has been resolved.

Comment 16

A thru D, F and G - All subsidiary and central accounts are in balance, all adjustment made.

E - Subsidiary savings records from NCR clearly show retirement accounts in great detail by branch and processing type.

H - We are unable to arrive at the Division's underpayment amount for MRD K-8

Comment 17

Please be advised that there have been no loans made to other related companies for investments for over six (6) months. All certificates were closed out as matured and all loans from Sharon paid off.

Comment 18

Necessary adjustments have been made and the accounting staff were cautioned regarding deferred fee amortization.

Comment 19

A. Old outstanding itmes were researcehd and credited to the reserve.

B. The practice is to reconcile the dividend account as of the day prior to issuance of the divident checks, in orer to avoid listing the huge number issued at month end as outstanding. Deposits to the account on the last day are therefore not in transit on the reconcilement date.

Old outstanding cheks have been researcehd and credited to the reserve.

Comment 20

Subsidiary and central accounts for loans in process are in balance and prove regularly.

Comment 21

Concerning Woodhouse Row - Since the examination of the Association, the Woodhouse Row portfolio has been cleared up and it is believed that the problems raised no longer exist:

A. Ms. Meledones was in charge of setting up the separate income accounts.

B. Jack Cavey advised that the dealer repurchased loan file #29 and that copies have been ordered to complete loan file #120.

C. The unreconciled funds have been resolved.

Comment 22

Although all minute books are maintained at the Association, from time to time they are taken back to the Secretary's Office who prepares the minutes. The Examiner is advised of this situation and if the Examiner happens to require any information or particular minute book which is not available at the Association, they are advised to contact the Secretary who makes arrangements to have the minute book delivered.

A. The minute book was at the Secretary's Office and apparently, the desire for the minute book was not communicated to the Secretary.

B. This appears to be in conflict of A above. If the minute book was not available, it is difficult to see how the Examiner could have determined that there was no evidence of an Annual Meeting. In the alternative, if the minute book was available and examined, then Comment A could not apply.

C. The Duncan Family Campground Loan is in effect two separate loans consisting of a First Mortgage and a Second Mortgage in which the Association participated in an equity position, which was disclosed and discussed with the Division prior to its inception. Development costs had a high overrun and it was necessary to advance additional funds. This was successfully completed and the Association has been satisfied with the progress that is being made by the general partners. After initial opening of the Campground, and the actual operation to the general public, it was determined that the venture could successfully and has successfully maintained the first mortgage held by the Association. It is further obvious that the second mortgage is a long term venture in which the Association will eventually successfully collect. However, in order to amortize the first mortgage and encourage a successful operation, the Association has taken the position that the second mortgage held by MIC will be permitted to stand so long as interest is currently maintained.

D. The annual financial statements have since been sent to the Division.

E. This appears to have been answered in response to this comment under A and B above and the minute books are available.

Comment 23

Discussion is being held with NCR regarding various alternatives, including off-site storage and the utilization of an alternate data center in Pittsburg. Daily printouts on hard copy and film are received by the Association.

Comment 24

Investment in FMS is being written off.

Comment 25

A. #6950 - Original mortgage in attorneys office for foreclosure.
#7053 - This loan was consolidated with loan 7120.

D. #7064 - 1921 York Road has been released.
815 Belair Road - Appraisal is in file.
Route 40 - Appraisal is in file.

E. #6964 - Binder is in file - Original has been requres from Lawyers Title.

The informational comments were reviewed and called to the attention of the employees who were to implement such compliance.

The secretary was directed to transmit two (2) copies of the minutes of this meeting to the Director of Savings and Loans.

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
34 MARKET PLACE
BALTIMORE, MARYLAND 21202-4076
301 659-6330

FREDERICK L. DEWBERRY
SECRETARY

CHARLES H. BROWN, JR.

WILLIAM S. LECOMPTE, J
DEPUTY DIRECTOR

December 17, 1984

Board of Directors
Sharon Savings & Loan
(A Stock Corporation)
4 East Franklin Street
Baltimore, Maryland 21203

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of May 31, 1984 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and specifically direct your attention to the following items of supervisory concern:

A. A review of Comments 1 and 8 reveal serious deficiencies in placing the necessary documentation in files for mortgage loans and consumer loans.

   In addition, Comment 13 notes that a number of deficiencies in the previous examination have not been corrected.

   Management is directed to obtain the missing and/or incomplete documentation and place them in the respective files. Also, management is to advise this office of the procedures implemented to avoid any comments of this nature in the future.

   Furthermore, Comment 1G.3 reveals that the appraisal report was prepared by an individual who was in the employment of the borrower(s) at the time the loan was granted.

B. Comment 11 reveals that the examiners were not given all the information requested with regards to foreclosures instituted on property located in Florida.

   Please submit to this division all the necessary data requested in your response.

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TOLL-FREE 1-800-492-7521

TTY FOR DEAF
BALTO. AREA 383-7555
D.C. METRO 565-0451

You should also review the other exceptions discussed with management and assure this Division that corrective action has been taken.

The Board's attention is directed to Examiner's Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended October 31, 1983.

The Board of Directors is requested to hold a meeting to discuss the comments in ths letter and report of examination and to advise this division in writing of the specific action taken with respect to these matters.

We would also request that two copies of this response be forwarded to the division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

Very truly yours,

Charles H. Brown, Jr.

Charles H. Brown, Jr.
Director

CHB:JJB:lib

Enclosures

cc: Maryland Savings-Share Insurance Corporation

EXAMINER'S COMMENTS

Sharon Savings and Loan Association

Comment 1:

A review of the files of the mortgage loans granted during the period March 1, 1983 -- May 31, 1984 revealed the following:

A. Loan file Nos. 88-7524, 68-7533, 88-7492, 15-7288, 88-7472, 88-7487, 88-7529, 88-7508 and 88-7531 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

B. Loan file Nos. 88-7508, 15-7479, 88-7338 and 88-7531 did not contain the original of the current insurance policies as required by Regulation .23D.

The insurance policy in loan file No. 88-7472 did not list Sharon Savings and Loan as first mortgagee.

The insurance policy in loan file No. 68-7340 did not contain sufficient coverage to protect the interest of the association.

C. The application in loan file Nos. 68-7313, 48-7285, 88-7338, 88-7531, 68-7340, 68-7533, 48-7275, 88-7293, 88-7492, 68-7294 and 68-7518 did not contain financial information on the borrowers as required by Regulation .23A(2)(c).

D. Loan file Nos. 88-7529, 68-7518, 88-7508, 88-7524, 68-7533, 88-7492 and 88-7531 did not contain certifications of title as required by Regulation .23C.

E. Loan file Nos. 88-7524 and 7269,.7270, 7271, 7272 and 7273 did not contain a memorandum of settlement as required by Regulation .29A(2)(c).

The memorandum of settlement in loan file No. 68-7313 was incomplete.

F. Loan file Nos. 7269, 7270, 7271, 7272, and 7273 in the name of Middle States Knowlton did not contain the following documentation:

1. Loan application as required by Regulation .29A(2)(a);

2. Certification of title as required by Regulation .29A(2)(e);

3. Appraisal report as required by Regulations .29A(2)(b) and .23B.

A review of the mortgage note in loan file No. 68-7533 reflected that the note was due and payable the same day the loan was made. The examiners received a memorandum on August 6, 1984 in reply to their memorandum submitted to management on June 14, 1984, which indicated that the above loans were either closed or "in the process of being paid off." However, Regulation .29C requires that the association retain the following for a period of 3 years after the loan is paid off:

1. application;

2. appraisal report;

3. memorandum of settlement.

G. Loan No. 68-7340 granted to PLL Associates, a New York Partnership, was granted on August 11, 1983 in the amount of $1,160,000. The principals in this partnership are Mr. Edwin Lax, a general partner, and Mr. Jeffrey Levitt and Mr. Alan Pearlstein.

A review of the loan file documentation revealed that the following items were missing:

Comment 1: (Cont.)

1. Loan application which is required by Regulation .29A(2)(a).

2. A financial statement on PLL Associates required by Regulation .23A(2)(c).

3. The appraisal report was prepared by Mr. Robert H. Hudson who was employed in some capacity by Old Court Savings and Loan. The appraisal report did not contain a statement signed by the appraiser that meets the requirements of Regulation .23B(4)(a) through (c).

Comment 2:

A review of delinquent mortgage loans revealed the following:

A. An analysis of the subsidiary loan records reflected the existence of twenty-five delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $4,040,223.39, as of the date of the current examination, representing a delinquency ratio of 3.1% of the total mortgage loan balances outstanding.

B. A review of the loans subject to comment scheduled on page nine of this report reflected that loan Nos. 5850, 7265, 6641, 6763, 6807, 6901, 7266, 7064, 7269, 7272, 7284, 7152, 7153, 7158, 7159, 7163, 7162, 7165, 6569, 6710, and 7070 had not been amortized as to principal and interest during the twelve month period immediately preceding the date of the current examination.

C. A review of the delinquent loans scheduled on page nine of this report of examination revealed that the unpaid principal balance of $51,494.40 for the Morris Shuvalsky loan (3711-13-15 South Hanover Street) exceeded the $40,000.00 original amount of this loan.

Comment 3:

An analysis of the subsidiary mortgage expense accounts reflected that thirty-four accounts had debit balances totaling $26,469 as of the date of the current examination. The mortgagors' expense accounts should be reviewed and adjustments made to compensate for the increased cost of taxes and insurance.

Comment 4:

A review of the association's method of paying interest on escrow revealed that its method of calculating escrow at 4% is in violation of Section 12-109 of the Commercial Law Article which provides that escrow interest shall be paid at the greater of 3%, or the rate of interest regularly paid by the lending institution on regular passbook savings accounts.

Comment 5:

A review of the association's fidelity bond revealed that the present coverage of $1,060,000 is less than the $1,135,000 required by Regulation .22B.

Comment 6:

A review of the files of the loans foreclosed during the period February 28, 1983 -- May 31, 1984 revealed that ratified court auditors' reports were not available for review by the Division's examiners. Section 9-503 of the Financial Institutions Article provides that the Division's examiners shall have access to all the records of a savings and loan association.

Comment 7:

A review of the annual report submitted by the association for the fiscal year ended October 31, 1983 revealed several discrepancies which could not be traced back to the association's books and records. The association should exercise care in preparing these documents and submitting them as a representation of the

Comment 7 (Cont.)

association's financial picture in compliance with Section 9-306 of the Financial Institutions Article.

Comment 8:

A review of the association's consumer loan files revealed the following:

A. Loan file Nos. 17-272, 17-578, 17-583, 17-589, 17-598, 17-609, 17-610, 17-611, 17-612, 17-613, 17-614, 17-615, 17-616, 17-617 and 17-606 were granted to businesses for business or commercial purposes. Regulation .49A(2) and Regulation .51 limit consumer loans to non-commercial use unless granted under provisions of Regulation .50.

B. Loan file Nos. 17-578, 17-583, 17-588, 17-589, 17-598, 17-609 through 17-617 and 17-606 did not contain a completed current application as required by Regulation .49C(1)(a).

C. Loan file Nos. 17-272, 17-578, 17-583, 17-589, 17-598, 17-609 through 17-613, 17-615 through 17-617 and 17-606 did not contain a Federal Truth-in Lending statement or loan disclosure statement as required by Regulation .49C(1)(b).

D. Loan No. 17-617 granted on May 17, 1984 in the amount of $15,000 contained two promissory notes dated April 25, 1984 and May 17, 1984 for $15,000 each. Per management, the note dated May 17, 1984 is the only valid instrument securing the loan; therefore, the note dated April 25, 1984 should be voided.

E. Loan No. 17-613 dated March 5, 1984 in the amount of $50,000 had expired on April 5, 1984 and was extended on April 16, 1984 until June 3, 1984. As of June 29, 1984, the term of the loan had again expired and is still reflected on the association's books as an open loan.

F. Loan No. 17-578 to Aberdeen Associates Limited Partnership dated April 13, 1983 had a term of 1 year; as of the date of the current examination, the term of the loan had expired.

G. Loan No. 17-615 to William Siskind granted March 23, 1984 was due and payable June 23, 1984. As of June 29, 1984, the loan had not been paid off.

H. Loan file Nos. 90-388, 90-517, 90-526 and 90-528 did not contain a promissory note.

I. Loan file No. 17-588 to Wendy Siskind for the purchase of a boat did not contain a current insurance policy on the security, as required by Regulation .49C(2)(b).

Comment 9:

An examination of the records supporting free share loans revealed the following:

A review was made of loan No. 608171 to William Siskind in the amount of $450,000, at a 12% interest rate. A further review of savings account Nos. 60287, 60288 and 60289 which were offered as security for the loan revealed that dividends are being paid on these accounts at a 13% rate. It was also noted that the subsidiary free share accounts are not coded with the appropriate computer hold number to indicate that these accounts are pledged as collateral for the share loans.

Comment 10:

An examination of the books, records and accounting practices revealed the following:

A. A review of the bank reconciliation for the Equitable Trust Company account No. 603-0905-2 revealed that check No. 22354 issued on October 31, 1983 has been outstanding for 7 months. The association should charge this check to a liability account in the general ledger.

B. A review of the association's passbook account No. 01-023631-3 with Capital Savings and Loan revealed that interest income for the periods ended December 31, 1983 and March 31, 1984 had not been posted to the

2735

association's books. Also, withdrawals for February 22, 1984 and May 15, 1984 had not been reflected on the association's books. Regulation .06 provides that the books and records be posted quarterly.

C. The total of the subsidiary mortgage loan accounts was $278,374.69 less than the control account in the general ledger.

Comment 11:

During the course of the current examination, the examiners sent an attorney's letter to Broad & Cassell, 2 South Biscayne Boulevard, Miami, Florida. The examiners noted that the association had foreclosed on many of (approximately twenty-seven) its FHA loans during the period of the current examination; therefore, an attorney's letter was sent. The examiners were approached by management in reference to the attorney's letter and was told that the law firm would charge the association for release of the information requested by the examiners. The examiners were asked if a monthly memo sent to the association reflecting the association's business with the above law firm could be used as a substitute for the attorney's letter. The examiners informed management that the memo would be accepted if it answered all of the questions listed on the attorney's letter. A review of the memo by the division's examiners revealed that the memo does not disclose all the information requested by the attorney's letter. The association is requested to immediately inform the law firm of Broad and Cassell at 2 South Biscayne Boulevard, 1 Biscayne Tower, Suite 3684, Miami, Florida to answer all questions listed on the Division's attorney's letter and send same to the Division's Director immediately.

Comment 12:

A review of the service corporation's activity revealed the following:

Sharon Mortgage Company

A. The loan extended to the subsidiary by Sharon Savings and Loan is shown as $18,794.06 on the parent's books and $13,590.68 on the subsidiary's books. These amounts should be in agreement. There was no debt instrument in conjunction with this transaction that was provided for review.

B. The financial statement of the subsidiary does not include the capital contribution by the parent. The parent's books show $100 as its investment in the subsidiary, while the subsidiary's minutes indicate that the capital contribution should be $300. There was no stock certificate to evidence the correct amount of this investment.

C. Financial statements for the subsidiary were not filed with the Division as required by Section 9-306 of the Financial Institutions Article and Regulation .34E(2)(a).

Milpond, Inc.

A. The subsidiary's books did not reflect the parent's capital contribution of $300. The capital stock certificate was not signed by Zell Hurwitz. The books also did not reflect the subsidiary's investment in Franklin Street, Inc., nor a loan of $4,900 extended by the parent. The exact amount of the loan could not be determined.

B. There was no evidence that board meetings have been held since April 18, 1983. The bylaws required that at least an annual meeting shall be held.

C. Financial statements for the subsidiary were not filed with the Division as required by Section 9-306 of the Financial Institutions Article and Regulation .34E(2)(a).

Maryland Institutional Corporation

A. The subsidiary's loan secured by the Duncan Family Campgrounds has delinquent interest in excess of $99,200. It was noted that interest was paid to July, 1978. The delinquent status of this mortgage has been the subject of comment in several prior reports of examination.

Comment 12: (Cont.)

This in effect is an interest free loan to the joint venture, so that MIC has a loss of cash flow and, therefore, a lost opportunity to reinvest the required income stream from this transaction. Conversely, the joint venture has gained the use of the funds due to MIC to invest and subsequently benefit the joint venturers who include Zell Hurwitz and other association personnel at the expense of the subsidiary and Sharon Savings and Loan. MIC has a 15% interest in the joint venture.

B. The $302,410.83 note from Sharon to MIC was signed by Mr. Roseman as Vice President of MIC, while his correct office is that of Treasurer. In conjunction with this transaction, a 1% fee was to be paid by MIC. There was no record of such payment.

C. An annual meeting was not held in June, 1984 to comply with the provisions of MIC's bylaws.

D. Financial statements for the subsidiary were not filed with the Division as required by Section 9-306 of the Financial Institutions Article and Regulation .34E(2)(a).

Harbor City Mortgage and Brokerage, Ltd.

A. The books of the subsidiary did not show the parent's capital contribution of $300. The stock certificate was not signed by Zell Hurwitz.

Undistributed income of $17,073.75 on Sharon's books did not appear on the books of the subsidiary.

B. Financial statements for the subsidiary were not filed with the Division as required by Section 9-306 of the Financial Institutions Article and Regulation .34E(2)(a).

C. A review of the mortgage to Zel Realty revealed the following:

1. The loan, granted on the security of improved commercial property, exceeded the loan-to-value guidelines of Regulation .30C(4) which provides that any loan upon the security of improved commercial property shall not exceed 80% of the market value of the security.

2. The file did not contain a financial statement or an income tax return evidencing verification of income for a self-employed borrower as required by Regulation .23A(2)(c).

Comment 13:

A review of the exceptions set forth in the prior report of examination revealed that the following comments remain uncorrected:

Comment 1:

B. Loan No. 7127 did not contain the original of the current insurance policy as required by Regulation .23D.

C. The policy in loan file No. 7243 did not contain sufficient coverage to protect the interest of the association.

Comment 2:

A review of the documentation supporting purchased loans revealed the following:

A. Loan file Nos. 7251 and 7252 did not contain the original mortgage instruments as required by Regulation .29A(2)(f).

Loan file Nos. 7158, 7159, 7167, and 7168 did not contain an assignment of the mortgage to Sharon Savings and Loan.

B. Loan file No. 7251 did not contain an original current insurance policy as required by Regulation .23D.

C. Loan file Nos. 7245 and 7265 did not contain an application as required by Regulation .28B(2).

D. Loan file Nos. 7245 and 7265 did not contain appraisal reports as required by Regulation .23B.

E. Loan file No. 7245 did not contain a title certification as required by Regulation .23C.

The title certification in loan file No. 7265 was not endorsed to Sharon.

F. Loan file Nos. 7245 and 7247 did not contain memorandums of settlement as required by Regulation .28B(3).

INFORMATIONAL COMMENTS:

A. A comparative analysis of the financial condition of the association as of May 31, 1984 and February 28, 1983 revealed the following:

	May 31, 1984	February 28, 1983	Increase (Decrease) Dollar Amount	Per Cent
Total Savings	$118,025,053	$89,937,251	$28,087,802	31.2
Total Net Worth	7,393,925	4,560,960	2,832,965	62.1
Total Mortgage Loans	131,636,092	85,303,282	46,332,810	54.3
Total Assets	161,057,970	113,339,420	47,718,550	42.1

B. A review of the association's earnings for the calendar/fiscal year ended October 31, 1983 disclosed the following:

	Dollar Amount	% to Net Oper. Inc.
1. Net operating income (Page 6, Line 1)	$11,489,939	100.0
2. Taxes (Page 6, Line 4)	-0-	-0-
3. Earnings distributed on savings (Page 6, Line 3)	8,938,714	77.8
4. Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	2,551,225	22.2
5. Net income distributed (Total of 2, 3 and 4 above)	$11,489,939	100.0

Savings Accounts Insured by
MSSIC

EXAMINATION AS OF

May 31, 1984

Current Policy or Certificate No.

Sharon Savings and Loan Association
Association

7 East Franklin Street Baltimore Maryland 21202
Address City State Zip Code

Address of Branches

(1) * See reverse side for list of Sharon Branch Offices
(2) and their locations

Free Share or Savings Accounts		Mortgage Loans	
No. 22,048	$118,025,053.65	No. 1,927	$131,636,092.02

December 29 1976	Stock	October 31st	Third Thursday in February	7% Credited Monthly
Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	(x) Director
(1)	Zell C. Hurwitz	6724 Chokeberry Rd	Baltimore	President	(x)
(2)	Theodore C. Denick	Woodland Road	Baltimore	Secretary Vice President	(x)
(3)	Samuel Rubin, M.D.	1 Slade Avenue	Baltimore	Vice President	(x)
(4)	Harold Brown	3405 Old Post Road	Baltimore		(x)
(5)	Lee R. Hurwitz	3601 Clarks Lane	Baltimore		(x)
(6)	Mishel S. Roseman	7119 Boxford Road	Baltimore	Vice President Treasurer	
(7)	Marc H. Hurwitz	6724 Chokeberry Rd	Baltimore	Executive Vice President	
(8)					
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					

Counsel

Name Bass and Venick, P.A.
Address 916 Munsey Building
Baltimore, Maryland 21202

Accountant

Name Glass, Freedman and Tomas, CPA
Address 222 St. Paul Street
Baltimore, Maryland

Period of Examination
From 6-8-84 To 8-6-84

Examiner-In-Charge
Gregory L. Watkins

FORM DLR/BSL/44/10-83/84-246

IIIH8

2739

(COPY)

RECEIVED
& REG.

Sharon S + L Assn.

A Special Meeting of the Board of Directors of the Association was held on Thursday, January 24, 1985, at 3 o'clock P.M., at the Offices of the Association.

All Directors were present. Mr. Hurwitz acted as Chairman of the meeting and Mr. Denick acted as Secretary of the meeting.

Mr. Hurwitz reported that this Special Meeting had been called for the purpose of reviewing the examination conducted by the Division of Savings and Loans of the Association for the period of March 1, 1983 through May 31, 1984 and to respond to the Examiner's comments. Mr. Hurwitz advised that various Officers of the Association had been working on the Examiner's comments for a period of time and therefore, he called the meeting when he felt that the Board could fully review the examination and respond to the comments. He thereupon reviewed the report and the comments were acted upon in the following manner:

COMMENT 1:

A. Loan No. 88-7524 - Mortgage in file, Title Certification in file and Settlement Sheet in file.

Loan No. 68-7533 - Mortgage in file, Title Certification in file. Financial Statement - Letter sent to Mr. Klawans on December 27, 1984.

Loan No. 88-7492 - Mortgage in File. Financial Statement - Letter sent to Mr. Thompson on December 27, 1984.

Loan No. 15-7288 - Mortgage in File.

Loan No. 88-7472 - Mortgage in file. Insurance Policy - Sharon is listed as Mortgagee.

Loan No. 88-7487 - Mortgage in file.

Loan No. 88-7529 - Mortgage in file, Title Certification in file.

B. Loan No. 88-7508 - Mortgage in file, Insurance Policy in file and Title Certification in file.

Loan No. 88-7531 - Mortgage in file, Insurance Policy - Master in "Master File", Financial Statement in file and Title Certification in file.

Loan No. 15-7479 - Insurance - Master Policy in "Master Drawer".

IIIH9

Loan No. 88-7338 - Insurance - Master Policy in "Master Drawer". Financial Statement - Letter sent to Mr. Goodman January 4, 1985.

2740

Loan No. 68-7340 - Insurance - Letter sent requesting additional coverage; Financial Statement - Letter sent to Mr. Levitt on January 4, 1985.

C. Loan No. 68-7313 - Financial Statement in file. Settlement sheet is complet

Loan No. 48-7285 - Financial Statement - Letter sent to Goldome on December 2 1984.

Loan No. 48-7275 - Financial Statement - Letter sent to David Demaza on Januar 11, 1985.

Loan No. 88-7293 - Financial Statement in File.

Loan No. 68-7294 - Financial Statement in File.

Loan No. 68-7518 - Financial Stetement - Letter sent to KB Investors on January 4, 1985. Title Certification in file.

D. and E. These Comments have been responded to in A, B and C above.

F. These loans have been paid in full.

G. We have requested the Borrower to supply the requested information.

COMMENT 2: The delinquent mortgage loans enumerated in the comment were reviewed mortgage by mortgage and the following comments were made:

On the Middle States Knowlton Loans, the Association had several loans covering various units in the Cairo Condominium. The principals of Middle State had a disagreement and as a result thereof, all of the Condominiums were foreclosed and various principals of Middle State purchased each of the Condominiums, one of which was purchased by a Mr. Weil who died prior to settling and his estate did not settle and the property had to be resold. A claim has been filed in his estate and an individual action has been filed against his widow, which is now pending in Montgomery County.

Bernardo Loan - Paid in Full

Loan 7152, 7153, 7158, 7159, 7163, 7162 and 7165 were all loans made at the same time on Condominiums in Florida which are in various stages of foreclosure. Some of those listed have already been resolved.

Loan 7220 - Bethea - Foreclosure held pending settlement.

Loan 7197 - Love went into Bankruptcy and he is making payments under a plan arranged through the Bankruptcy Court.

Loan 6569 - Strazza has been foreclosed and that concluded without any loss to the Association.

Loan 6710 - Armstead Trust is in litigation and is being handled by our title insurance company, Safeco Insurance Company, and it is expected that the same will be resolved promptly.

Loan 7070 - Paid in Full.

Loan 5876 - Paid in Full.

Loan 7265 - Cloke is in New Orleans and is being handled by our attorney in that City.

2731

Loan 6641 - Sandler on the Howard Street Property has a Plan of Reorganization in Bankruptcy which appears favorable to all creditors and will probably be approved.

Loan 6807 - We have received noti-

Loan No. 7064 - Stanley Lloyd has been paid in full.

Shuvalsky Loan covering South Hanover Street has been referred to our attorney foreclosure.

COMMENT 3: This has been referred to the Mortgage Servicing Department and we are advised that expense accounts are periodically analyzed.

COMMENT 4: The Association maintains a regular passbook savings account at the rate of four (4%) percent and pays interest on its escrow accounts at that rate.

COMMENT 5: $1,135,000.00 Fidelity Bond was in effect on October 8, 1984.

COMMENT 6: When the Auditor's Account is filed in a foreclosure, our attorneys forward to us a copy of the Auditor's Account and we thereafter make the final accounting between our attorneys and ourselves. We do not know specifically which accounts the Auditor for the Division could not locate. However, we have copies of all that we know of and our attorneys would have copies as well as Court records would require such copies be filed in the case or else the foreclosure is not concluded and any copies that could not be found could always be ordered from the Court.

COMMENT 7: The annual report was due in March, 1984. Our outside Auditors were in the process of making certain adjustments to the original October 31, 1983 records at that point of time and this factor was apparently responsible for some discrepancies. It was stressed upon the persons in charge of the financial statements that strict compliance should be sought in accordance with Section 9.306 of the Financial Institutions Article.

COMMENT 8:
A. This Savings and Loan has applied to and received approval from the Board of Savings and Loan Associations to invest the same the same conditions, limitations, restrictions and safeguards applicable and permitted under Federal Law to any Federal Savings and Loan Association which is called in the trade "Federal Tie-In" and provided for under .50 of the Regulation.

COMMENT 9: This was referred to Accounting and Bookkeeping Departments for appropriate action.

COMMENT 10:
A. The Association's policy has been that checks outstanding for more than six (6) months is charged back to a reserve for outstanding checks.

B. All of the records are now current.

C. Apparently, some loans and/or part payments had not been posted to the subsidiary accounts through the date of the examination. Accounting advised that all subsidiary and controlled accounts are in balance as of this time.

COMMENT 11: The Association has requested information from the Law Firm of Broad & Cassell in Miami, Florida to answer any and all questions promulgated by the Division's attorney's letter.

COMMENT 12:
Sharon Mortgage Company

274[illegible]

A. Expenses paid by parent for subsidiary were charged to loan account and are in agreement.

B. Accounting advises us that all records and documents are now in order.

C. Accounting was advised to make sure that all statements are filed

Milpond, Inc.

A. All documents and records are now in order.

B. Meetings are held periodically and will be reflected in the minutes.

C. Instructions were given to file these reports timely.

Maryland Institutional Corporation

A. All interest has been brought current and a distribution made to the Joint Venture, including Maryland Institutional Corporation. It is anticipated that Campground operations will substantially improve this coming year.

B. Mr. Roseman was informed of his proper office. The fee arrangement was not connected with the note.

C. Meetings are held periodically and they will be reflected in the minutes in the future.

D. Instructions were given that statements should be filed timely.

Harbor City Mortgage and Brokerage, Ltd.

A. All records and documents are in order. The books are in balance.

B. Again, this was called to the proper persons that statements should be filed promptly.

C. The Zel Realty Loan was reviewed carefully with the loan committee and attention called to the regulations. The persons chargeable with loan processing were notified to seek to obtain information required by regulation .23A(2)(c).

COMMENT 13:

Comment 1:

B. Loan No. 7127 - Insurance - Letter sent requesting policy January 10, 1985.

C. Loan No. 7243 - Insurance - Mr. Klein's Office called to say taken of by agent on January 16, 1985.

Comment 2:

A. Loan No. 7251 - Mortgage - In File.
Loan No. 7252 - Mortgage in File with Short Assignment to us attached.

Loan No. 7158 - Assignment appears on copy of note in file.
Loan No. 7159 - Assignment appears on caopy of note in file.
Loan No. 7167 - Assignment - Master Assignment in separate drawer.
Loan No. 7168 - Assignment - Master Assignment in separate drawer.

B. Loan No. 7251 - Insurance Policy in file.

C. Loan No. 7245 - Application purchased from Center Savings and Loan - In File.
& Apraisal - In File
D Title Certification - In File
& Settlement Sheet - Purchased from Center Savings and Loan.
E

Loan No. 7265 - Application - Requested from Adce & Cressy
Apprisal in file.

2743

F. Loan No. 7247 - Settlement Sheet - Purchased from Center Savings and Loan.

The informational comments were reviewed and analyzed by the Board.

The Secretary was directed to transmit copies of the minutes of this meeting to the Division and to MSSIC.

There being no further business coming before the meeting, the same was adjourned.

SECRETARY

HARRY HUGHES
GOVERNOR

STATE OF MARYLAND

CHARLES H. BROWN, JR.
DIRECTOR

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
231 EAST BALTIMORE STREET BALTIMORE, MARYLAND 21202
SEVENTH FLOOR
301/659-6330

JOHN J. CORBLEY
SECRETARY

February 7, 1984

Board of Directors
Security Savings and Loan
4 East Franklin Street
Baltimore, Maryland 21203

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of May 31, 1983 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and specifically direct your attention to the following items of supervisory concern:

1. Comment 2 reflects a drastic increase in delinquent loans since the preceding examination. Delinquent loans scheduled on Page 9 of the examination report are in excess of $6,000,000.00. In addition, delinquent and unpaid interest on these loans is in excess of $600,000.00.

   Please advise this office of the current status of these loans.

2. Comment 3A denotes that the association is not paying interest on escrow accounts at its regular passbook rate of 7%, but is instead paying a lesser rate of 4%.

   Please advise this office of the action taken by the association to pay interest on escrow accounts at its regular passbook rate of 7%.

3. Comment 5A states that the association's accounting firm performed a "review" rather than an "audit" for the years ended February 28, 1983 and 1982.

   Please advise this office of the steps taken by the association towards obtaining the required audit.

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TOLL-FREE 1-800-492-7521

TTY FOR DEAF
BALTO. AREA 383-7555
D.C. METRO 565-0451

4. Comment 4C lists numerous consumer loans to William Siskind and other corporations and partnerships. None of these loans meet the definition of a consumer loan as set forth in Regulation .49A(2). "Consumer loan" means a direct loan to one or more persons for personal, family or household purposes, etc. Accordingly, you are directed to divest the association from these loans to comply with the aforementioned regulation.

You should also review the other exceptions discussed with management and assure this Division that corrective action has been taken for each and every comment.

The Board's attention is directed to Examiner's Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended February 28, 1983.

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this division in writing of the specific action taken with respect to these matters.

We would also request that two copies of this response be forwarded to the division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

Very truly yours,

Charles H. Brown

Charles H. Brown, Jr.
Director

CHB:AF:lib

Enclosure

cc: Maryland Savings-Share Insurance Corporation

EXAMINERS' COMMENTS

Security Savings and Loan, Inc.

Comment 1:

An examination of the files of the mortgage loans granted during the period June 1, 1982 - May 31, 1983, revealed the following:

A. Loan file Nos. 208853, 208857, 208858, 208832, and 208854 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

It must be noted that insufficient time has elapsed for the mortgage instrument to have been returned from the recording office.

B. Loan file Nos. 208853, 208828, 208817, and 208796, did not contain appraisal reports as required by Regulation .29A(2)(b).

The appraisal was not signed for loan file No. 208814.

C. Loan file Nos.208853 and 208854 did not contain an application as required by Regulation .29A(2)(a).

The application in file No. 208814 was not signed by or on behalf of the borrower, as required by Regulation .23A.

D. Loan file Nos. 208853, 208828, 208857, 208843, 208854, and 208858, did not contain a certification of title as required by Regulation .29A(2)(e).

E. Loan file Nos. 208814 and 208815 did not contain a memorandum of settlement as required by Regulation .29A(2)(c).

The memorandum of settlement in loan file Nos. 208853, 208854, and 208790 was not dated.

F. The association purchased loan Nos. 208818 and 208819 from Maryland National Bank. The settlement sheets are missing from both folders, in violation of Regulation .28B(3). Also, there were no financial statements in the folders.

The latest appraisal in file was January, 1980; however, the loans were purchased from Maryland National Bank on December 29, 1982. This appraisal was therefore two years old at the time that the loans were purchased.

G. Loan No. 208817 was granted upon the security of improved commercial property with a loan-to-appraisal value ratio in excess of 80% of the market value of the security. The loan-to-appraisal value of this loan is 98.3%. This is in violation of Regulation .30C(4)(b).

Comment 2:

An analysis of the subsidiary mortgage loan records reflected the existence of forty-eight (48) delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $6,054,393.13, as of the date of the current examination, representing a delinquency ratio of 5.7% of the total mortgage loan balances outstanding.

During the period of the current examination, the total outstanding balance of the delinquent accounts increased from $658,025.91 to $6,054,393.13. This represents an increase of 920% over the previous examination. The delinquent and unpaid interest on the loans subject to comment totaled $609,833.91.

Comment 3:

A review of escrow accounts revealed the following:

A. For the period ending May 31, 1983, the association was accruing interest on escrow accounts at the rate of 4%. Commercial Law Article 12-109(b)(ii) states, "association shall pay interest to the borrower on escrow funds at the rate of interest regularly paid by the lending institution on regular passbook savings accounts."

While Security does have one 4% passbook savings account, it appears from records reviewed during the course of the examination that the regular savings passbook account at Security Savings and Loan is paid at the rate of 7%; therefore, the association is in violation of Commercial Law Article 12-109(b)(ii). This was a matter of comment in the prior examination report.

B. The association regularly takes a late charge out of the escrow portion of the payment if the borrower fails to include the funds in the payment when the association is due a late charge. This is a violation of Commercial Law Article 12-109.1. This is also a violation of the association's legal loan instrument, which states, "The aggregate of the amounts payable pursuant to subparagraphs 1 and 2 of this paragraph shall be paid in a single payment each month to be applied to the following items, as applicable, in the following order:

1. Ground rent, taxes and other governmental liens and charges, condominium and community association charges, and similar charges, fee and other hazard insurance.

2. Interest on the note secured hereby, and

3. Amortization of the principal of the note."

This was a matter of comment in the prior examination report.

Comment 4:

An examination of the records supporting consumer loans revealed the following:

A. On February 19, 1982, a consumer loan with an expiration date of ninety days was granted to Leonard C. Gore in the amount of $25,000. As of the current examination date, this loan still was unpaid and no principal payments had been made since the granting of the loan. Furthermore, this loan should be classified as a loss pursuant to Regulation .49E, and a specific reserve set up in the amount of $25,000.

Also, noted in regards to this loan to Leonard C. Gore were the following:

1. The top of the promissory note bore the imprint of "1st American Bank of Maryland".

2. The promissory note states that the creditor is "Sharon Savings and Loan."

Please explain why Security Savings and Loan is not named in the above two matters.

B. None of the consumer loans made by the association has an application In file, in violation of Regulation .49C(1)(a).

C. None of the following loans granted by Security Savings and Loan as "consumer" loans meet the definition of a consumer loan set forth in Regulation .49A(2); rather, they appear to be commercial loans:

Loan No.	Borrower	Original Amount
300002	William Siskind	$100,000.00
300003	William Siskind	50,000.00
300004	Pikesville Hotel, Ltd. Partnership, et al.	200,000.00
300005	" "	185,000.00
300006	B. S. P. Associates	88,500.00
300007	Capital Realty	20,000.00

Please explain why the above were granted as consumer loans.

D. Loans to William Siskind and related partnerships and companies appear to be unauthorized, as they do not meet the requirements of Regulation .49A(2)re the definition of a consumer loan, as mentioned in C above. However, even if these loans were authorized investments made as consumer loans, they are in violation of Regulation .49G(2) which states, "an association may not loan to any one borrower more than $10,000 or 2.5 percent of the association's reserves as that term is defined in Regulation .40-1A(1), whichever is greater."

The association's reserves as of February 28, 1983 (per the association's annual report) were $3,529,238, making $88,231 the maximum amount the association could lend to one borrower as consumer loans.

The loans to Mr. Siskind and related companies totaled $623,500, as of February 28, 1983:

Loan No.	Borrower	Original Amount
300002	Siskind	$100,000
300003	Siskind	50,000
300004	Pikesville Hotel, Ltd., et al.	200,000
300005	" "	185,000
300006	B. S. P. Associates	88,500
	Total:	$623,500

This total of $623,500 exceeds the allowable maximum of $88,231 by $535,269, approximately 607%.

Comment 5:

An examination of the books, records and accounting practices revealed the following:

A. The savings and loan received from their accounting firm, Glass & Associates, P.A., a review instead of the required audit for the years ended February 28, 1983 and 1982. This is in violation of Regulation .06A(1), which requires an audit.

B. The association (Security) settled loans which were originally committed for by Sharon Savings and Loan. The commitment fees of $24,961.00 were taken into income by Sharon Savings and Loan. Since these loans were made by Security, the proper adjustments should be made to reflect the income on Security's books.

C. Documentation for repurchase agreements was not available for review for general ledger account No. 5540. The item in question is a repurchase agreement made for $1,977,234.42 on August 31, 1982.

D. The association is still carrying a $600.00 balance for its investment in FMS, Inc. stock (G/L #1495390). Since FMS, Inc. is now defunct, this $600.00 balance should be written off.

Comment 6:

As of the May 31, 1983 examination date, the association has $100,000 invested in unsecured Federal Funds. This is not an authorized investment under the provisions of FIA 9-419(a) or Regulation .31. This has been a matter of supervisory comment in the prior two examination reports. The association should invest in secured Federal Funds, or request permission to invest in unsecured Federal Funds under Regulation .50, "Other Investments - Federal Tie-in."

Comment 7:

A review of the responses to the management questionnaire revealed the following:

A. Question 4 failed to disclose that Ted Denick and Mishel Roseman are directors of Atlas Savings & Loan. Mr. Roseman is also a Vice President and Managing Officer of Atlas Savings & Loan.

B. Question 5A failed to disclose that Security Savings & Loan made loans to companies or partnerships that had a direct or indirect financial interest held by MSD Associates (which is owned by Mark, Steven, and David Hurwitz) or by Mark, Steven and/or David Hurwitz directly. Examples of these loans are #208807 (MSD Associates), #208791 (New Oak Grove Limited Partnership: MSD Associates, limited partner), and #208829 (David T. Hurwitz and Arthur Wagner).

Comment 8:

A review of the certificates of deposit held by Security Savings & Loan for funds it has placed in other savings and loans revealed the following:

A. As of May 31, 1983, Security Savings & Loan has $1.4 million in jumbo certificates at Atlas Savings & Loan. As of the same date, the total assets of Atlas are reported to be $2,318,294.

The maximum that could be accepted by Atlas Savings & Loan from Security Savings & Loan on May 31, 1983 would be $115,914.70, as allowed by Regulation .37B, which states:

> B. Deposits from Other Financial Institutions. A State-chartered association may not accept deposits from any financial institution, the aggregate of which would exceed 5 percent of the assets of the recipient association.

B. As of the examination date, the association has deposits in FSLIC insured associations in excess of $100,000, which is the maximum insurance amount in such institutions.

This violates Regulation .37A(1)(a) and .37A(1)(b)(iii), which state that each deposit may "....not exceed the applicable insurance limitation."

Deposits in excess of $100,000 was also a matter of supervisory comment in the prior examination report.

Comment 9:

A review of loan Nos. 208807, 208829, and 208791 revealed the following:

A. On November 29, 1982, the savings and loan granted mortgage loan

No. 208807 in the amount of $115,000 on a residential home to MSD Associates. MSD Associates is 100 percent owned by Marc, Steven and David Hurwitz who are all officers, directors or employees of Sharon and/or Security Savings & Loan. All are the sons of Zell Hurwitz who is an officer, director and controlling person of Sharon Savings & Loan as set forth in FIA 9-323. Security Savings & Loan is a 100% owned subsidiary of Sharon Savings & Loan. Approval of this loan was not granted by the Division as required by Sections 9-323 and 9-307 of the Financial Institutions Article, and Regulation .43B(3).

B. Loan No. 208807 was granted on November 29, 1982, and the subject property was appraised by Mr. Leon Amernick on November 11, 1982. The purchase price (11/82) was $102,500. The appraised value is $130,000 and the loan amount is $115,000. There is no indication that any additional improvements were made to the property subsequent to the sale. Good loan underwriting practice dictates that the lower of the appraised value or the purchase price be considered when computing the loan-to-value ratio, unless the appraiser can substantiate that the purchase price is in fact below market value.

C. Loan No. 208829 to David Hurwitz on property located at 714 S. Hanover Street was granted on March 4, 1983 for a 1 year rehabilitation loan and 30 year permanent loan. The rate of 10% was considerably below market at the time. Although permission was granted by this Division to make this loan, a fair market rate of interest was expected to be charged.

D. Loan No. 208791 was a $2.75 million loan on apartments purchased by New Oak Gove Limited Partnership. Records in file indicate that 30% of this partnership is owned by MSD Associates (Marc, Steven and David Hurwitz). The following exceptions were noted with regards to this loan:

1. No approval was granted by the Division as required by FIA 9-307, FIA 9-323 and Regulation .43.

2. There is no assignment of rents in the loan file.

3. The loan file does not contain financial statements or tax returns for any of the partners (general or limited) and contains credit reports only for the general partners.

4. The property was purchased for $2,450,000, and was appraised by Mr. Leon Amernick for $5,275,000 as of a similar date. This appraisal allowed the association to loan the partnership $300,000 more than the purchase price. Good loan underwriting practice dictates that the lower of the appraised value or purchase price be considered when computing the loan-to-value ratio, unless the appraiser can substantiate that the purchase price is in fact below market value.

Comment 10:

The association has mortgages totaling $7,221,377.17 due from William Siskind and his related businesses, and $623,500 in so called "consumer loans", for a total of $7,844,877.17.

This represents 5.7% of the assets of Security Savings & Loan and 8.6% of the total mortgages outstanding (excluding GNMA and FHLMC certificates). Although not specifically in violation of any regulation, these loans represent a significant portion of the assets of the association. The loan histories in file indicate many of these loans to be extended and modified loans with previous payment problems. If these loans were to become problem loans for Security, it could negatively affect the profitability of the association. Please advise the Division as to the current status of the Siskind loans.

Comment 11:

Security Savings & Loan purchased 14 loans totaling approximately $1.9 million from Sharon Savings & Loan at par value on property located in the Rio Espana Condominium, Pompano Beach, Florida. At least two were seriously delinquent, and one contained a letter from the attorney warning of imminent foreclosure.

Please advise the Division as to the current status of these 14 Rio Espana loans.

INFORMATIONAL COMMENTS:

A. A comparative analysis of the financial condition of the association as of May 31, 1983 and May 31, 1982 revealed the following:

			Increase (Decrease)	
	May 31, 1983	May 31, 1982	Dollar Amount	Per Cent
Total Savings	$114,818,227	$86,524,751	$28,293,476	32.7
Total Net Worth	2,897,596	2,153,569	744,027	34.5
Total Mortgage Loans	105,211,671	80,102,097	25,109,574	31.3
Total Assets	137,423,080	95,356,788	42,066,292	44.1

B. A review of the association's earnings for the fiscal year ended February 28, 1983 disclosed the following:

	Dollar Amount	% to Net Oper. Inc.
1. Net operating income (Page 6, Line 1)	$11,085,805.64	100.0
2. Taxes (Page 6, Line 4)	(10,591.96)	(0.1)
3. Earnings distributed on savings (Page 6, Line 3)	10,145,124.86	91.5
4. Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	951,272.74	8.6
5. Net income distributed (Total of 2, 3 and 4 above)	$11,085,805.64	100.0

Savings Accounts Insured by
M. S. L. I. C.

EXAMINATION AS OF

May 31, 1983

Association: Security Savings and Loan (a stock corporation)

Address: 4 East Franklin Street, City: Baltimore, State: Maryland, Zip Code: [illegible]

Address of Branches

(1) 102-104 St. Paul St. - Balto. Md. 21202 (4) [illegible] Pennsylvania [illegible]

(2) 6632 Security Blvd. - Woodlawn Md. 21207 (5) 1326 Reisterstown [illegible] Pikesville

(3) Joppa Plaza Shopping Center - Joppa, Md. 21085

Free Share or Savings Accounts: No. [illegible] $ 114,618,226.77

Mortgage Loans: No. 1,213 $ 105,211,671.06

Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period
March 19, 1895	Stock	Last Day in February	1st Sunday in June	7% [illegible]

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	(X) Director
(1)	[illegible] C. Hurwitz	6724 Cherrybury Rd.	Baltimore	Pres. & Treas.	(x)
(2)	Theodore C. Denick	RFD. 1. Woodland Rd.	Lutherville	Secty. & V.P.	(x)
(3)	Roberta L. Wertz	5934 Daybreak Terr.	Baltimore	1st V.P.	(x)
(4)	Marc G. Hurwitz	6724 Cherrybury Rd.	Baltimore	V.P. Marketing	(x)
(5)	Michael J. Roseman	7119 Bedford Rd.	Baltimore	V.P. Financial	(x)
(6)	Leah Meladores	603 Southgate Rd.	Aberdeen	V.P. Lending	
(7)	Judith Frank	8 Dowling Circle Apt 92	Baltimore	V.P. Branch Oper.	
(8)	E. Jack Carey	298 Church Circle	Linthicum	Comptroller	
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					

Counsel

Name: Bass and Denick, P.A.

Address: 916 Munsey Building, Baltimore, Mary.

Accountant

Name: Glass, ~~[illegible]~~ and [illegible] P.A.

Address: 222 Saint Paul Place, Baltimore, Maryland

Period of Examination	
From 6/21/83	To 7/1/83

Examiner-In-Charge
[illegible signature]

IIIH11

2753

FORM DLR BSL-4 8-80 81-192

LIB 6467 PAGE 200

4273-B-10181

DEED OF TRUST

PURCHASE MONEY
THIS DEED OF TRUST is made this 10th day of December, 19 82, among the Grantor, MSD ASSOCIATES, a Maryland General Partnership (herein "Borrower"), DENNIS E. GUIDICE and JEFFREY A. LEVITT (herein "Trustee"), and the Beneficiary, OLD COURT SAVINGS AND LOAN, INC., a corporation organized and existing under the laws of Maryland whose address is 25 LIGHT STREET, BALTIMORE, MARYLAND 21202 (herein "Lender").

BORROWER, in consideration of the indebtedness herein recited and the trust herein created, irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the County of BALTIMORE, State of Maryland:

BEING KNOWN AND DESIGNATED as Lot No. 48, as shown on a Plat entitled "Resubdivision of Lots 45 - 55, as shown on 2nd Amended Plat of Stevenson Crossing, Plat II", which Plat is recorded among the Land Records of Baltimore County in Plat Book EHK,Jr. No. 48, Folio 31. The improvements thereon being known as No. 608 Old Crossing Drive.

BEING the same lot of ground which by Deed dated of even date herewith and recorded or intended to be recorded among the Land Records of Baltimore County prior hereto was granted and conveyed by Stevenson Limited Partnership unto MSD Associates, the herein Borrower.

Mortgagor hereby agrees that said loan was made or is being made as a commercial loan and the Mortgagor further covenants and agrees that the loan is being transacted solely for the purpose of carrying on or acquiring a business or commercial enterprise as those terms are used and defined in Section 12-103 E (2) of the Commercial Law Article of the Annotated Code of Maryland, (1975 Edition).

Nothwithstanding anything to the contrary contained in the provisions set forth in Uniform Covenant No. 17 in the within Deed of Trust, the Borrower, only, shall have the ›solute right, to transfer or sell all or any part of the property or interest therein ithout first obtaining Lenders prior written consent, which sale or transfer shall not give the Lender the option to declare all the sums secured by this Deed of Trust to be due and payable. Any subsequent sale or transfer of all or any part of the Property or any interest therein, shall be subject to the terms and conditions of Uniform Covenant No. 17 set forth in this Deed of Trust. Upon approval by the Lender, its successors and assigns of the credit of such person or persons to whom the property is to be sold or transferred in whole or in part by the original Borrower, which approval shall not be unreasonably withheld, the original Borrower herein, shall be released from all obligations under this Deed of Trust ,upon said person entering into a written assumption agreement with the Lender agreeing to assume all of the then existing terms, covenants and conditions of this Deed of Trust and the Promissory Note secured thereby.

C RC/F 19.00
D/TRST 0 #
EHK JR T 19.00
#31968 C001 R02 T11:29
12/20/82

which has the address of 608 Old Crossing Drive, Baltimore, Maryland 21208
[Street] [City]
(herein "Property Address");
[State and Zip Code]

Such property having been purchased in whole or in part with the sums secured hereby.
TOGETHER with all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, rents (subject however to the rights and authorities given herein to Lender to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, and all fixtures now or hereafter attached to the property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the property covered by this Deed of Trust; and all of the foregoing, together with said property (or the leasehold estate if this Deed of Trust is on a leasehold) are herein referred to as the "Property";

TO SECURE to Lender (a) the repayment of the indebtedness evidenced by Borrower's note dated of even date herewith (herein "Note"), in the principal sum of ONE HUNDRED FIFTEEN THOUSAND AND 00/100 ($115,000.00) ---------------------- Dollars, with interest thereon, providing for monthly installments of principal and interest, with the balance of the indebtedness, if not sooner paid, due and payable on the first day of January 2013 ------------------; the payment of all other sums, with interest thereon, advanced in accordance herewith to protect the security of this Deed of Trust; and the performance of the covenants and agreements of Borrower herein contained; and (b) the repayment of any future advances, with interest thereon, made to Borrower by Lender pursuant to paragraph 21 hereof (herein "Future Advances").

Borrower covenants that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property, that the Property is unencumbered, and that Borrower will warrant and defend specially the title to the Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in any title insurance policy insuring Lender's interest in the Property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

1. **Payment of Principal and Interest.** Borrower shall promptly pay when due the principal of and interest on the indebtedness evidenced by the Note, prepayment and late charges as provided in the Note, and the principal of and interest on any Future Advances secured by this Deed of Trust.

2. **Funds for Taxes and Insurance.** Subject to applicable law or to a written waiver by Lender, Borrower shall pay to Lender on the day monthly installments of principal and interest are payable under the Note, until the Note is paid in full, a sum (herein "Funds") equal to one-twelfth of the yearly taxes and assessments which may attain priority over this Deed of Trust, and ground rents on the Property, if any, plus one-twelfth of yearly premium installments for hazard insurance, plus one-twelfth of yearly premium installments for mortgage insurance, if any, all as reasonably estimated initially and from time to time by Lender on the basis of assessments and bills and reasonable estimates thereof.

The Funds shall be held in an institution the deposits or accounts of which are insured or guaranteed by a Federal or state agency (including Lender if Lender is such an institution). Lender shall apply the Funds to pay said taxes, assessments, insurance premiums and ground rents. Lender may not charge for so holding and applying the Funds, analyzing said account or verifying and compiling said assessments and bills, unless Lender pays Borrower interest on the Funds and applicable law permits Lender to make such a charge. Borrower and Lender may agree in writing at the time of execution of this Deed of Trust that interest on the Funds shall be paid to Borrower, and unless such agreement is made or applicable law requires such interest to be paid, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds showing credits and debits to the Funds and the purpose for which each debit to the Funds was made. The Funds are pledged as additional security for the sums secured by this Deed of Trust.

If the amount of the Funds held by Lender, together with the future monthly installments of Funds payable prior to the due dates of taxes, assessments, insurance premiums and ground rents, shall exceed the amount required to pay said taxes, assessments, insurance premiums and ground rents as they fall due, such excess shall be, at Borrower's option, either promptly repaid to Borrower or credited to Borrower on monthly installments of Funds. If the amount of the Funds held by Lender shall not be sufficient to pay taxes, assessments, insurance premiums and ground rents as they fall due, Borrower shall pay to Lender any amount necessary to make up the deficiency within 30 days from the date notice is mailed by Lender to Borrower requesting payment thereof.

Upon payment in full of all sums secured by this Deed of Trust, Lender shall promptly refund to Borrower any Funds held by Lender. If under paragraph 18 hereof the Property is sold or the Property is otherwise acquired by Lender, Lender shall apply, no later than immediately prior to the sale of the Property or its acquisition by Lender, any Funds held by Lender at the time of application as a credit against the sums secured by this Deed of Trust.

3. **Application of Payments.** Unless applicable law provides otherwise, all payments received by Lender under the Note and paragraphs 1 and 2 hereof shall be applied by Lender first in payment of amounts payable to Lender by Borrower under paragraph 2 hereof, then to interest payable on the Note, then to the principal of the Note, and then to interest and principal on any Future Advances.

4. **Charges; Liens.** Borrower shall pay all taxes, assessments and other charges, fines and impositions attributable to the Property which may attain a priority over this Deed of Trust, and leasehold payments or ground rents, if any, in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the payee thereof. Borrower shall promptly furnish to Lender all notices of amounts due under this paragraph, and in the event Borrower shall make payment directly, Borrower shall promptly furnish to Lender receipts evidencing such payments. Borrower shall promptly discharge any lien which has priority over this Deed of Trust; provided, that Borrower shall not be required to discharge any such lien so long as Borrower shall agree in writing to the payment of the obligation secured by such lien in a manner acceptable to Lender, or shall in good faith contest such lien by, or defend enforcement of such lien in, legal proceedings which operate to prevent the enforcement of the lien or forfeiture of the Property or any part thereof.

5. **Hazard Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage", and such other hazards as Lender may require and in such amounts and for such periods as Lender may require; provided, that Lender shall not require that the amount of such coverage exceed that amount of coverage required to pay the sums secured by this Deed of Trust.

The insurance carrier providing the insurance shall be chosen by Borrower subject to approval by Lender; provided, that such approval shall not be unreasonably withheld. All premiums on insurance policies shall be paid in the manner provided under paragraph 2 hereof or, if not paid in such manner, by Borrower making payment, when due, directly to the insurance carrier.

All insurance policies and renewals thereof shall be in form acceptable to Lender and shall include a standard mortgage clause in favor of and in form acceptable to Lender. Lender shall have the right to hold the policies and renewals thereof, and Borrower shall promptly furnish to Lender all renewal notices and all receipts of paid premiums. In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower.

Unless Lender and Borrower otherwise agree in writing, insurance proceeds shall be applied to restoration or repair of the Property damaged, provided such restoration or repair is economically feasible and the security of this Deed of Trust is not thereby impaired. If such restoration or repair is not economically feasible or if the security of this Deed of Trust would be impaired, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. If the Property is abandoned by Borrower, or if Borrower fails to respond to Lender within 30 days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds at Lender's option either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments. If under paragraph 18 hereof the Property is acquired by Lender, all right, title and interest of Borrower in and to any insurance policies and in and to the proceeds thereof resulting from damage to the Property prior to the sale or acquisition shall pass to Lender to the extent of the sums secured by this Deed of Trust immediately prior to such sale or acquisition.

6. **Preservation and Maintenance of Property; Leaseholds; Condominiums; Planned Unit Developments.** Borrower shall keep the Property in good repair and shall not commit waste or permit impairment or deterioration of the Property and shall comply with the provisions of any lease if this Deed of Trust is on a leasehold. If this Deed of Trust is on a unit in a condominium or a planned unit development, Borrower shall perform all of Borrower's obligations under the declaration or covenants creating or governing the condominium or planned unit development, the by-laws and regulations of the condominium or planned unit development, and constituent documents. If a condominium or planned unit development rider is executed by Borrower and recorded together with this Deed of Trust, the covenants and agreements of such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Deed of Trust as if the rider were a part hereof.

7. **Protection of Lender's Security.** If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a bankrupt or decedent, then Lender at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorney's fees and entry upon the Property to make repairs. If Lender required mortgage insurance as a condition of making the loan secured by this Deed of Trust, Borrower shall pay the premiums required to maintain such insurance in effect until such time as the requirement for such insurance terminates in accordance with Borrower's and Lender's written agreement or applicable law. Borrower shall pay the amount of all mortgage insurance premiums in the manner provided under paragraph 2 hereof.

Any amounts disbursed by Lender pursuant to this paragraph 7, with interest thereon, shall become additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts shall be payable upon notice from Lender to Borrower requesting payment thereof, and shall bear interest from the date of disbursement at the rate payable from time to time on outstanding principal under the Note unless payment of interest at such rate would be contrary to applicable law, in which event such amounts shall bear interest at the highest rate permissible under applicable law. Nothing contained in this paragraph 7 shall require Lender to incur any expense or take any action hereunder.

8. **Inspection.** Lender may make or cause to be made reasonable entries upon and inspections of the Property, provided that Lender shall give Borrower notice prior to any such inspection specifying reasonable cause therefor related to Lender's interest in the Property.

9. **Condemnation.** The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Property, or part thereof, or for conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender.

In the event of a total taking of the Property, the proceeds shall be applied to the sums secured by this Deed of Trust, with the excess, if any, paid to Borrower. In the event of a partial taking of the Property, unless Borrower and Lender otherwise agree in writing, there shall be applied to the sums secured by this Deed of Trust such proportion of the proceeds as is equal to that proportion which the amount of the sums secured by this Deed of Trust immediately prior to the date of taking bears to the fair market value of the Property immediately prior to the date of taking, with the balance of the proceeds paid to Borrower.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sums secured by this Deed of Trust.

Unless Lender and Borrower otherwise agree in writing, any such application of proceeds to principal shall not extend or postpone the due date of the monthly installments referred to in paragraphs 1 and 2 hereof or change the amount of such installments.

10. **Borrower Not Released.** Extension of the time for payment or modification of amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower shall not operate to release, in any manner, the liability of the original Borrower and Borrower's successors in interest. Lender shall not be required to commence proceedings against such successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and Borrower's successors in interest.

11. **Forbearance by Lender Not a Waiver.** Any forbearance by Lender in exercising any right or remedy hereunder, or otherwise afforded by applicable law, shall not be a waiver of or preclude the exercise of any such right or remedy. The procurement of insurance or the payment of taxes or other liens or charges by Lender shall not be a waiver of Lender's right to accelerate the maturity of the indebtedness secured by this Deed of Trust.

12. **Remedies Cumulative.** All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or afforded by law or equity, and may be exercised concurrently, independently or successively.

13. **Successors and Assigns Bound; Joint and Several Liability; Captions.** The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to, the respective successors and assigns of Lender and Borrower, subject to the provisions of paragraph 17 hereof. All covenants and agreements of Borrower shall be joint and several. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions hereof.

14. **Notice.** Except for any notice required under applicable law to be given in another manner, (a) any notice to Borrower provided for in this Deed of Trust shall be given by mailing such notice by certified mail addressed to Borrower at the Property Address or at such other address as Borrower may designate by notice to Lender as provided herein, and (b) any notice to Lender shall be given by certified mail, return receipt requested, to Lender's address stated herein or to such other address as Lender may designate by notice to Borrower as provided herein. Any notice provided for in this Deed of Trust shall be deemed to have been given to Borrower or Lender when given in the manner designated herein.

15. **Uniform Deed of Trust; Governing Law; Severability.** This form of deed of trust combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property. This Deed of Trust shall be governed by the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of the Deed of Trust and the Note are declared to be severable.

16. **Borrower's Copy.** Borrower shall be furnished a conformed copy of the Note and of this Deed of Trust at the time of execution or after recordation hereof.

17. **Transfer of the Property; Assumption.** If all or any part of the Property or an interest therein is sold or transferred by Borrower without Lender's prior written consent, excluding (a) the creation of a lien or encumbrance subordinate to this Deed of Trust, (b) the creation of a purchase money security interest for household appliances, (c) a transfer by devise, descent or by operation of law upon the death of a joint tenant or (d) the grant of any leasehold interest of three years or less not containing an option to purchase, Lender may, at Lender's option, declare all the sums secured by this Deed of Trust to be immediately due and payable. Lender shall have waived such option to accelerate if, prior to the sale or transfer, Lender and the person to whom the Property is to be sold or transferred reach agreement in writing that the credit of such person is satisfactory to Lender and that the interest payable on the sums secured by this Deed of Trust shall be at such rate as Lender shall request. If Lender has waived the option to accelerate provided in this paragraph 17, and if Borrower's successor in interest has executed a written assumption agreement accepted in writing by Lender, Lender shall release Borrower from all obligations under this Deed of Trust and the Note.

If Lender exercises such option to accelerate, Lender shall mail Borrower notice of acceleration in accordance with paragraph 14 hereof. Such notice shall provide a period of not less than 30 days from the date the notice is mailed within which Borrower may pay the sums declared due. If Borrower fails to pay such sums prior to the expiration of such period, Lender may, without further notice or demand on Borrower, invoke any remedies permitted by paragraph 18 hereof.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

18. **Acceleration; Remedies.** Except as provided in paragraph 17 hereof, upon Borrower's breach of any covenant or agreement of Borrower in this Deed of Trust, including the covenants to pay when due any sums secured by this Deed of Trust, Lender prior to acceleration shall mail notice to Borrower as provided in paragraph 14 hereof specifying: (1) the breach; (2) the action required to cure such breach; (3) a date, not less than 30 days from the date the notice is mailed to Borrower, by which such breach must be cured; and (4) that failure to cure such breach on or before the date specified in the notice may result in acceleration of the sums secured by this Deed of Trust and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and sale. If the breach is not cured on or before the date specified in the notice, Lender at Lender's option may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all reasonable costs and expenses incurred in pursuing the remedies provided in this paragraph 18, including, but not limited to, reasonable attorney's fees.

If Lender invokes the power of sale, Lender shall mail or cause Trustee to mail written notice of sale to Borrower in the manner prescribed by applicable law. Trustee shall give notice of sale by public advertisement for the time and in the manner prescribed by applicable law. Trustee, without demand on Borrower, shall sell the Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Property by public announcement at the time and place of any previously scheduled sale. Lender, or Lender's designee, may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying the Property so sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all costs and expenses of the sale, including, but not limited to, Trustee's fees of . .5. .% of the gross sale price, reasonable attorney's fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the person or persons legally entitled thereto.

19. **Borrower's Right to Reinstate.** Notwithstanding Lender's acceleration of the sums secured by this Deed of Trust, Borrower shall have the right to have any proceedings begun by Lender to enforce this Deed of Trust discontinued at any time prior to the earlier to occur of (i) the fifth day before sale of the Property pursuant to the power of sale contained in this Deed of Trust or (ii) entry of a judgment enforcing this Deed of Trust if: (a) Borrower pays Lender all sums which would be then due under this Deed of Trust, the Note and notes securing Future Advances, if any, had no acceleration occurred; (b) Borrower cures all breaches of any other covenants or agreements of Borrower contained in this Deed of Trust; (c) Borrower pays all reasonable expenses incurred by Lender and Trustee in enforcing the covenants and agreements of Borrower contained in this Deed of Trust and in enforcing Lender's and Trustee's remedies as provided in paragraph 18 hereof, including, but not limited to, reasonable attorney's fees; and (d) Borrower takes such action as Lender may reasonably require to assure that the lien of this Deed of Trust, Lender's interest in the Property and Borrower's obligation to pay the sums secured by this Deed of Trust shall continue unimpaired. Upon such payment and cure by Borrower, this Deed of Trust and the obligations secured hereby shall remain in full force and effect as if no acceleration had occurred.

20. Assignment of Rents; Appointment of Receiver. As additional security hereunder, Borrower hereby assigns to Lender the rents of the Property, provided that Borrower shall, prior to acceleration under paragraph 18 hereof or abandonment of the Property, have the right to collect and retain such rents as they become due and payable.

Upon acceleration under paragraph 18 hereof or abandonment of the Property, Lender shall be entitled to have a receiver appointed by a court to enter upon, take possession of and manage the Property and to collect the rents of the Property including those past due. All rents collected by the receiver shall be applied first to payment of the costs of management of the Property and collection of rents, including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorney's fees, and then to the sums secured by this Deed of Trust. The receiver shall be liable to account only for those rents actually received.

21. Future Advances. Upon request of Borrower, Lender, at Lender's option prior to release of this Deed of Trust, may make Future Advances to Borrower. Such Future Advances, with interest thereon, shall be secured by this Deed of Trust when evidenced by promissory notes stating that said notes are secured hereby. At no time shall the principal amount of the indebtedness secured by this Deed of Trust, not including sums advanced in accordance herewith to protect the security of this Deed of Trust, exceed the original amount of the Note.

22. Release. Upon payment of all sums secured by this Deed of Trust, Lender or Trustee shall release this Deed of Trust without charge to Borrower. Borrower shall pay all costs of recordation, if any.

23. Substitute Trustee. Lender at Lender's option may from time to time remove Trustee and appoint a successor trustee to any Trustee appointed hereunder by an instrument recorded in the city or county in which this Deed of Trust is recorded. Without conveyance of the Property, the successor trustee shall succeed to all the title, power and duties conferred upon the Trustee herein and by applicable law.

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust.

WITNESS:

MSD ASSOCIATES, a Maryland General Partnership
....(Seal)
—Borrower

By: David Hurwitz ....(Seal)
DAVID HURWITZ - Partner
—Borrower

STATE OF MARYLAND, ... Baltimore .... County ss:

I Hereby Certify, That on this .... 10th .... day of .... December ...., 1982, before me, the subscriber, a Notary Public of the State of Maryland, in and for the ... County aforesaid ...., personally appeared ... DAVID HURWITZ, Partner of MSD ASSOCIATES ...., known to me or satisfactorily proven to be the person(~~s~~) whose name(~~s~~) .... is .... subscribed to the within instrument and acknowledge that .. he .. executed the same for the purposes therein contained. and in the capacity therein stated.

As WITNESS: my hand and notarial seal.

My Commission expires: July 1, 1986

....
Notary Public

AVROHOM HOSCHANDER
NOTARY PUBLIC
Baltimore City, Md.

STATE OF ... Maryland ...... Baltimore .... County ss:

I Hereby Certify, That on this .... 10 th ...... day of ...... December ...., 1982 before me, the subscriber, a Notary Public of the State of .. Maryland .... and for the ...., personally appeared ... DENNIS E. CUIDICE ...., the agent of the party secured by the foregoing Deed of Trust, and made oath in due form of law that the consideration recited in said Deed of Trust is true and bona fide as therein set forth and that * ~~the amount of the loan secured by the foregoing Deed of Trust was~~ disbursed by the party or parties secured to the Borrower or to the person responsible for disbursement of funds in the closing transaction or their respective agent at a time no later than the execution and delivery by the Borrower of this Deed of Trust; and also made oath that he is the agent of the party or parties secured and is duly authorized to make this affidavit.

*the actual sum of money advanced at the closing transaction by the Secured Party was paid over and

As WITNESS: my hand and notarial seal.

My Commission expires: July 1, 1986

....
Notary Public

AVROHOM HOSCHANDER
NOTARY PUBLIC
Baltimore City, Md.

Rec'd for record DEC 20 1982 at 11 29 A
Per Elmer H. Kahline, Jr., Clerk
Mail to Nationwide Title Co
Receipt No. ———— $ 19.00

SHARON ~~SECURITY~~ SAVINGS AND LOAN
(A Stock Corporation)

DISBURSEMENT REQUISITION

MORTGAGORS JEROME CARDIN	NUMBER Nº 1683
PROPERTY ADDRESS 607 Old Crossing Road, Baltimore County	DATE 10/6/82 [illegible] (10/7/8
	CHECK NO.
	ACCOUNT NO. 01-15-[illegible]
MAKE CHECK PAYABLE TO: JEROME CARDIN AND NATIONWIDE TITLE	LOAN RATE 12 7/[illegible] %
	TYPE Conv. Inv.
AUTHORIZED BY Lash	P&I [illegible]3.72
LENDER COMMITMENT NO. Cardin	ESCROW
APPROVAL DATE 10/1/82	TOTAL PAYMENT
PARTICIPATION YES ☐ NO ☐ ON LINE ☒	DATE FIRST PAYMT. 11/1/82
DRAW CHECK FOR THIS AMOUNT 82,000.00	MO. CAPITALIZATION
ORIGINAL AMOUNT OF LOAN 82,000.00	SPECIAL INSTRUCTIONS
PRESENT MORTGAGE BALANCE 82,000.00	
-0-	
DAYS INTEREST	
ESCROW	
OTHER	
NET DISBURSEMENT	

	GEN. LEDGER NO.	DEBIT	CREDIT
PRINCIPAL BALANCE	1010-00	82,000.00	
ODD DAYS INTEREST			
ESCROW			
TOTALS			

CHECK ISSUED

ORIGINATION PROOF $ $

III413

2755

May 3, 1984

A special meeting of the Board of Directors of Security Savings and Loan (A Stock Corporation) was held on May 3, 1984 at 10 o'clock A.M. at the Executive Offices of the Association at 4 E. Franklin Street, Baltimore City, Maryland.

All Directors were present. Zell C. Hurwitz, President of the Association, acted as Chairman of the meeting and Theodore C. Denick acted as Secretary. Also present were various Officers of the Association. The minutes of the last meeting were approved as read.

Mr. Hurwitz stated that this meeting was called for the exclusive purpose of responding to the letter from the Division of Savings and Loan Associations dated February 7, 1984 and concerning the report of examination of the Association made as of the close of business on May 31, 1983.

Whereupon, the letter of February 7, 1984 was read and commented upon and thereafter, the comments of the examiners were discussed, comment by comment, and the following individual responses and comments were compiled:

Comment 1

A. 208853, 208857, 208858, 208832, 208854 - Recorded Mortgages in file.

B. 208853 - Appraisal has been requested.
208828 - Appraisal is in file.
208817 - Appraisal is in file.
208796 - Loan is paid in full.
208814 - Loan is paid in full.

C. 208853 - Application has been requested.
208854 - Application has been requested.
208814 - Loan is paid in full.

D. 208853, 208857, 208843, 208854, 208858 - Title Policies are in files.
208828 - Safeco Commitment is in file - Policy has been requested.

E. 208814 - Loan Paid in Full.
208815 - Settlement Sheet is in file.
208853 - All sheets are dated.
208854 - All Sheets are dated.
208790 - All Sheets are dated.

F. 208818 and 208819
A. Settlement Sheets have been requested.
B. We do not require update appraisal when purchasing.

G. 208817 - Appraisal value is $5,500,000.00 - Loan is $2,266,000.00 - LTV = 41%.

IIIH14

RECEIVED
DEPT. OF LIC & REG
DIV. OF SAV & LOAN ASSNS.
JUN 11 1984

Comment 2

A good portion of the delinquent account, roughly 33 out of the 48 are all attributable to mortgages purchased on condominium in the Rio Esplande Condominium and the Cypress Creek Condominium, both located in the State of Florida. And basically comprised packages of mortgages purchased by out-of-state originators. This was the first experience of such transactions by the Association. The Association had hired what it believed an expert who had been associated with one of the largest Federal Savings and Loan in the State of Maryland and it appeared that all of the debtednesses were well secured by both the real estate and the borrowers. Most of the borrowers were shown as financially independent investors located throughout this country and in Canada. Shortly after the loans were acquired, it became evident that the sale of the condominium unit by the promoters was accomplished by high pressure and questionable sales tactics. The Association moved promptly when defaults occurred and retained one of the large law firms in Flordia, Broad and Cassell, to initiate proceedings to effect collection. That law firm advised the peculiarities of the Florida law in foreclosure proceedings whereby personal service was required against the borrower. This resulted in the attorneys handling the foreclosures being required to effect service throughout the United States and Canada and has delayed completion of several of the proceedings. The Association receives regular monthly reports from the attorneys in Florida as to the progress of the proceedings. Some of the proceedings have been completed and the balance is in various stages. Certain officers of the Association have made trips to Florida to inspect the premises, to communicate with the attorneys handling the proceedings and to arrange with realtors in the event the properties may have to be purchased by the Association.

It is anticipated that the majority of the Florida loans as shown in default will be resolved promptly.

Other substantial loans that were in default have either been brought current or have been foreclosed. Of particular interest were two (2) substantial loans indicated as Woodlawn Property Limited Partnership and Woodlawn Associates III. The properties underlying these mortgages were properties that the management of the Association inherited from former management and were a substantial cause for the troubles which the Association encountered prior to the new management taking over and represented existing indebtednesses of over $1,000,000.00 at the time of the examination. The Association has been in close contact on these two (2) loans with the division and MSSIC ever since new management took over and we are pleased to advised that the foreclosure proceedings had been completed. At foreclosure, several of the units were sold and the balance of the units were taken back by the Association. Since that time, the Association has been able to package the units and they are now titled in the new owners, with the Association financing the same.

As stated in the report, the Grey and Grey mortgage has been removed from the books and records of the Association.

The Morton Owrutsk et al at 135th Street in Ocean City, which was also a rather substantial loan and as indicated in the examiner comment is being worked out. This was an unusual and highly complex matter with which the Association worked closely with the offices of the Attorney General of Maryland. Our particular project and mortgagor was a highly respected attorney in Salisbury who built an attractive high rise apartment house in Ocean City with the thought of selling the unit as time sharing basis. That is, he converted the apartment project to a weekly condominium. For example, each apartment was broken down into 52 individual weekly units and the weekly unit is to be sold as an individual ownership. A buyer could buy one or more weeks of one or more units. Plans were proceeding nicely when another large time sharing unit in Ocean City encountered difficulties because of alleged misappropriation of funds and the selling of the same weeks in the same units being sold to various parties. This notoriety was played up to a large extent in all newspapers, the real estate board and the Attorneys General's office became involved. As a result of this, time sharing came to a virtual standstill and this Association was prepared to foreclose on its mortgage and the highrise apartment units. We were contacted by the Attorney Generals office and had several meetings with an Assistant Attorney General, Frank Pugh, as well as other reputable time sharing developers in Ocean City. At the request of the Attorney General we withheld forelcosure proceedings because it was felt that a second major time sharing development in Ocean City to default would create additional havoc in the State of Maryland, which could have an adverse affect on the State's economy and cause the real estate board tremendous expenses for which it had inadequate funds. Working in cooperation with the Attorney General's office, Judge Prettyman of Worcester County, who had been specially assigned in connection with the other time sharing project and with the borrowers, we monitored proceedings closely and realized that the 1982 and 1983 selling seasons for our mortgagor would be highly unfavorable. We are pleased to advise that the project has now turned around, time sharing units are being sold and we are prepared to release full condominium units (all 52 weeks of individual units) as payment is received. The borrower has advised us that one full unit should be paid for and released in February, 1984.

We continue to monitor closely all delinquents and are hopeful that the same will be resolved without any loss to the Association.

Comment 3

a. The Association has established a regular passbook savings account at the rate of 4% and believes that it is in full compliance with all provisions of the commercial law article concerning escrow accounts.

b. We have continued to attempt to work with borrowers who do not make their payments on time. If the late charge is not received, the Association has the option of returning the borrowers payment and refusing to accept the same until the late charge is paid. Therefore, when a late charge is made, we notify the borrower as to the amount of the late charge after crediting the payment and by spreading the payment as to interest principal and the balance to the expense account. When the late charge is paid it is credited to the expense account. Under the FNMA/FHLMC Uniform Note instrument, which is the evidence for the indebtedness, it states "the noteholder may exercise this option. (the entire principal amount outstanding and accrued interest thereon shall at once become due and payable.) The Association's legal loan instrument is in addition to the note on residential properties. The Association now uses the standard form deed of trust which does not appear to contain the language quoted in the examiner's comment.

Commercial Law Article 12-109.1 prohibits funds being removed from the escrow account to pay other loan charges. The Association does not remove the funds from the escrow account to pay the late charges. Once the escrow account has been credited, the Association does not removed funds from the escrow account for payment of late charges.

Comment 4

A. & B. Since the examination, payments in the amount of $18,750.00 has been received and applied to the principal indebtedness and the account is now current. The Association also has regular prepared notes containing its name and the note contains an endorsement on the back that the same has been assigned to this Association. The Association now has a proper application in its package to comply with Regulation .49C(1)(a).

With the changing industry and the deregulation of Savings and Loan Associations, the Association's lending department believed that it was permissable to make commercial loans and in considering the various applications of the Borrower involved, they took into consideration his financial statements as submitted to the Association from time to time and apparently overloaned by the strict interpretation of the regulation. They further erroneously considered the combined reserves of this Association and its parent in making the loans to Mr. Siskind and his various companies. The loans have been paid as agreed and every effort will be made to insure that such situations will not occur again.

Comment 5

a. This has been explained annually to each examiner who does the books and records of the Association. The accounting firm does a regular audit of Security Savings and Loan as required by regulation .06A(1). The audit is done each year as is all subsidaries of Sharon Savings and Loan. However, because Security Savings and Loan and Sharon Savings and Loan are on different fiscal years, and therefore, the audit that is performed by the accountants might not tie in with Security's fiscal year but the audit is definitely performed. For a more complete explanation, we are constantly referring the examiner to Glass and Associates, P.A., who have been cooperative in furnishing any information that might be required.

b. Security Savings and Loan and Sharon Savings and Loan are separate Associations and if one receives fees for granting or agreeing to grant certain mortgage loans, that Association credits the fees so received in accordance with required practices. However, if the Association that received the loan commitment fees does not settle the loan anticipated by the fee, then that Association takes the same into its income in accordance with standard practices.

Comment 6

The secretary was instructed to write to the Division of Savings and Loan for permission to invest in unsecured federal funds under Regulation .50 "Other Investments - Federal Tie-in".

Comment 7

A. Mr. Roseman stated that this was an oversight on his part. However, Mr. Denick and Mr. Roseman have for many, many years been Officers and Directors of Atlas Savings and Loan and this was, obviously, a clerical error.

B. Specific approval of all such loans have been sought and approved by the Division.

Comment 8

All Jumbo Certificates that the Association had in Atlas Savings and Loan have been closed out as they matured last year. The regulation of deposits from other financial institutions were read, at the meeting, to insure that those persons accepting such deposits would be fully familiar with the regulations. As of the date of this response, the Associations have no deposit in excess of the maximum amount permitted and special care will be taken to avoid the need for such a supervisory comment in the future.

Comment 9

a. On residential owned property, as opposed to commercial property, it was believed that the Association could make home loans to officers, directors and employees who are related parties without seeking the approval of the Division. In the future, the Association will be careful concerning granting of loans either residential or commercial to officers and directors of the Association. It intends to continue the practice of giving employees favorable mortgages when they secure the same as a home or residence, believing that it creates stability for the employee both financially and as a member of the Association.

b. The Board of Directors disagree with the examiner's comment concerning good loan underwriting practices. Under certain conditions the purchase price of the property should be considered when computing the loan to value ratio. However, there are circumstances with which management is more familiar than the examiner in considering what the loan to value ratio should be. There are circumstances when a value could far exceed the purchase price. For example, a property purchased at a distress sale (i.e., foreclosure) could result in property being purchased at much below market and fair value.

c. This comment was considered in the response to paragraph (a) hereof and it is the Association's practice to give employees a favorable mortgage rate and to consider home ownership as a stablizing factor. During 1983 other employees were granted similar loans.

d. New Oak Grove Limited Partnership is a limited partnership whereby the general partners signed the documentation. It was not until after the commitment was issued that MSD Associates joined the Limited Partnership and the Association had already given the mortgage commitment.

1. The reason no permission was sought has been stated above and we will be more careful of calling this to the Division's attention in the future.

2. The mortgage instrument provides for the assignment of rents and benefits of said property to the mortgagee as additional security.

3. The Association had received financial statements for tax returns of the General Partners on other loans that the Association has with the General Partners and as the General Partners are the one who are responsible for the indebtedness, it was felt that there was no reason to order credit reports on limited partners.

4. On an appraisal of $5,275,000.00, the loan of $300,000.00 which is less than 6% seems inconsequential. We have already discussed good loan underwriting practices but must take into further consideration, the reliance upon which any lender must have in its appraisor and unless it is shown that the appraisor is prejudice or has a financial interest in the property, then the appraisor's report must be heavily relied upon in granting of loans. Other considerations which must be taken into rather than just the purchase price is the reliability of the borrowers, the likelihood of appreciation of the security and the management skills. This is why appraisors approach properties from several points of view in determining what the value of the property is as of a particular date.

Comment 10

All of the Siskind loans are current and the Association monitors the same carefully.

Comment 11

Security had never purchased the fourteen (14) loans in question. The loans are owned and held by Sharon Savings and Loan and were erroneously placed in Security's name on the computer.

Informational Comments

The comparative analysis of the financial condition of the Association was reviewed and discussed in detail.

The meeting was thereupon adjourned, with instructions to the Secretary to transmit the response to the Division.

____
SECRETARY

HARRY HUGHES
GOVERNOR

STATE OF MARYLAND

CHARLES H. BROWN, JR.
DIRECTOR

DEPARTMENT OF LICENSING AND REGULATION
DIVISION OF SAVINGS AND LOAN ASSOCIATIONS
THE BROKERAGE ... SUITE 800
34 MARKET PLACE
BALTIMORE, MARYLAND 21202-4076
301 659-6330

FREDERICK L. DEWBERRY
SECRETARY

WILLIAM S. LECOMPTE, JR.
DEPUTY DIRECTOR

February 19, 1985

Board of Directors
Security Savings and Loan, Inc. ✓ File
(A Stock Corporation)
4 East Franklin Street
Baltimore, Maryland 21203

Gentlemen:

We are forwarding for your review and comment a copy of the report of examination of your association by examiners representing the Maryland Division of Savings and Loan Associations. This report represents an examination of the association's books and records as of June 30, 1984 for compliance with Maryland statutes and regulations and does not constitute an audit of these records.

We request that you carefully review the entire report and specifically direct your attention to the following items of supervisory concern:

A. A review of Comments 1 and 7 reveal serious deficiencies in placing the necessary documentation in files for mortgage loans and consumer loans.

   Management is directed to obtain the missing and/or incomplete documentation and place them in the respective files. Also, management is to advise this office of the procedures implemented to avoid any comments of this nature in the future.

B. Comment 5 revealed that in a number of instances, the association granted loans which exceeded the permissible loan-to-value ratios as cited in several sections of Regulation .30.

   Please advise this office of the procedures implemented by the association to avoid comments of this nature in the future.

BALTIMORE METRO AREA 659-6330
OUTSIDE BALTIMORE METRO AREA
TTY FOR DEAF

Board of Directors
Security Savings and Loan, Inc.
Page Two
February 19, 1985

You should also review the other exceptions discussed with management and assure this Division that corrective action has been taken.

The Board's attention is directed to Examiner's Informational Comments A and B which outline the two most recent examination dates and also highlight the association's operating results for the period ended February 28, 1984.

The Board of Directors is requested to hold a meeting to discuss the comments in this letter and report of examination and to advise this division in writing of the specific action taken with respect to these matters.

We would also request that two copies of this response be forwarded to the division within forty-five days and that one copy of the response be forwarded to the Maryland Savings-Share Insurance Corporation.

Very truly yours,

Charles H. Brown

Charles H. Brown, Jr.
Director

CHB:JJB:llb

Enclosures

cc: Maryland Savings-Share Insurance Corporation

EXAMINERS' COMMENTS

Security Savings and Loan, Inc.
(A Stock Corporation)

Comment I:

An examination of the files of the mortgage loans granted during the period June 1, 1983 to June 30, 1984 revealed the following:

A. Loan No. 208924 did not contain the original mortgage instrument as required by Regulation .29A(2)(f).

B. Loan file Nos. 209188, 209209, 209109, 209083 and 208982 did not contain the original of the current insurance policy as required by Regulation .29A(2)(d).

The insurance policy in loan file No. 209053 and 209221 did not name the association as first mortgagee as required by Regulation .23D.

Loan file No. 209158-209159 did not contain the original current insurance policy on properties offered as additional security for the loan, nor was there any flood insurance on the Riverside Drive property as required by Regulation .23D.

The insurance policy in loan file No. 209009 did not reflect the correct address for the property offered as security for the loan. It was noted that the address reflected on the insurance policy was 3017 Woodland Avenue, while the property address is 3027 Woodland Avenue.

The insurance policy in loan file No. 209222 was not countersigned by an authorized agent as required by Regulation .23D.

C. Loan file Nos. 208853, 208854, 208895 and 208964 did not contain an application as required by Regulation .29A(2)(a).

The applications in loan file Nos. 209188, 209209, 209168, 209158-209159, 209231, 208943, 209004, 208982, 209105, 209073, 208889, 208954 and 208955 did not contain any personal history data on the applicant(s) to comply with the provisions of Regulation .23A(1) and (2)(a)-(g). It was noted that in many cases the loan application only contained signatures of the borrowers.

Loan file Nos. 209253, 209231 and 209181 did not contain executed contracts of sale as required by Regulation .23A(2)(e).

The application in loan file No. 209168 was not signed by Gary Aikens, co-applicant.

The application in loan file Nos. 209053 and 209221 was not signed or dated.

D. The appraisal reports in loan file No. 208853 did not meet the requirements of Regulation .23B(1) and (2) in that there was no property description and statements about the general condition of the property and the immediate neighborhood.

Comment 1: (Cont.)

E. The appraisal reports in loan file Nos. 209235 and 208889 were 7 months old and 4 years old, respectively.

The appraisal reports in loan file Nos. 209158-209159, 209056, 209216, 209221, 209253 and 209181 did not indicate that the appraiser of the properties securing these loans has met the qualifications set forth in Regulation .23B. Also, a review of loan files where Mr. Leon Amernick was the appraiser of the property offered as security for the loan revealed that there was no list of qualifications. The appraisers of properties offered as security for loan Nos. 69-209158-209159 and 209250 did not have a statement in file indicating compliance with Regulation .23B(4)(a)(b)(c) and (d).

F. Loan file Nos. 208943, 208924 and 209053 did not contain a certification of title as required by Regulation .29A(2)(e).

The title insurance in loan file Nos. 209188 and 209209 was less than the loan amount.

G. Loan file No. 209222 did not contain a memorandum of settlement as required by Regulation .29A(2)(c).

The settlement sheet in loan file No. 208943 was not signed by the borrower as required by regulation.

H. Purchased loan file Nos. 209188 and 209209 did not contain a memorandum of settlement as required by Regulation .28B(3).

I. Loan file No. 208895 did not reflect that Mr. Joseph M. Schwartz and Mr. Herb Hammond had signed as personal guarantors as required by the guaranty agreement.

J. Loan file No. 208943 contains an unexecuted partnership agreement. The partnership agreement should be fully executed prior to making a loan.

K. In addition to the documentation required by Regulation .29, accepted procedure dictates other additional documentation be obtained to further protect the interest of the association. In this regard, it was noted that many of the construction loan files did not contain signed, written inspection reports for each disbursement of funds.

Comment 2:

An analysis of the subsidiary mortgage loan records reflected the existence of 23 delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $3,469,700.00 as of the date of the current examination, representing a delinquency ratio of 2.5% of the total mortgage loan balances outstanding.

The delinquent and unpaid interest on the loans subject to comment totaled $625,342.85.

A review of the loans subject to comment scheduled on page 9 of this report reflected that loan Nos. 208702, 208687, 208692, 208755, 208756, 208762, 208763, 208764, 209063, 208479 and 208483 had not been amortized during the twelve month period immediately preceding the date of the current examination.

A further review of these loans revealed that 70% of the loans were secured by property located outside of the state of Maryland, representing $1,723,475.17 (50%) of the total outstanding balance scheduled.

Comment 3:

An analysis of the subsidiary mortgage expense accounts reflected that fifteen accounts had debit balances totaling $19,546.06 as of the date of the current examination.

The mortgagor's expense accounts should be reviewed and adjustments to the required payments should be made to compensate for the increased cost of taxes and insurance.

Comment 4:

A review of escrow accounts revealed the following:

A. For the period ending May 31, 1983, the association was accruing interest on escrow accounts at the rate of 4%. Commercial Law Article 12-109(b)(1)(11) states, "association shall pay interest to the borrower on escrow funds at the rate of interest regularly paid by the lending institution on regular passbook savings accounts."

While Security does have one 4% passbook savings account, it appears from records reviewed during the course of the examination that the regular savings passbook account at Security Savings and Loan is paid at the rate of 7%; therefore, the association is in violation of Commercial Law Article 12-109(b)(1)(11). This was a matter of comment in the prior examination report.

B. The association regularly takes a late charge out of the escrow portion of the payment if the borrower fails to include the funds in the payment when the association is due a late charge. This is a violation of Commercial Law Article 12-109.1. This is also a violation of the association's legal loan instrument, which states, "The aggregate of the amounts payable pursuant to subparagraphs 1 and 2 of this paragraph shall be paid in a single payment each month to be applied to the following items, as applicable, in the following order:

1. Ground rent, taxes and other governmental liens and charges, condominium and community association charges, and similar charges, fee and other hazard insurance.

2. Interest on the note secured hereby, and

3. Amortization of the principal of the note."

This was a matter of comment in the prior examination report.

Comment 5:

A review of loan-to-value ratios revealed the following:

A. Loan Nos. 208964 and 78-209068 were granted for construction purposes upon the security of unimproved property with loan-to-value in excess of 80% of the market value of the security. Regulation .30C(10) provides that the aggregate amount of any construction loan may not exceed 80 percent of the market value of the security after completion of the improvements.

B. Loan No. 208895 was granted upon the security of unimproved property with loan-to-value ratio of 73% of the market value of the security. As of August 14, 1984 the loan-to-value ratio has increased to 89.7% due to the sale of 63 lots and additional lending on this same security. This increase in the loan-to-value ratio exceeds the 75 percent loan-to-value ratio limitation contained in Regulation .30C(8)(b).

C. Loan No. 209250 was granted upon the security of improved commercial property-amortizing with a loan-to-value ratio in excess of 80% of the value of the security.

Regulation .30C(4)(b) provides that the aggregate amount of any amortizing loan upon the security of improved commercial property may not exceed 80% of the value of the security.

Loan Nos. 209158 and 209159 was granted upon the security of improved commercial property-amortizing with a loan-to-value ratio in excess of 80% of the value of the security. Regulation .30C(4)(b) provides that the aggregate amount of any amortizing loan upon the security of improved commercial property may not exceed 80% of the value of the security. Also, the examiners noted that stock was also offered as security for the loan. There was no evidence in the loan file to

2769

Comment 5: (Cont.)

reflect that the association obtained approval, pursuant to Regulation .50 and .51, to accept stock as security for a loan.

Comment 6:

An examination of the records supporting freeshare loans revealed the following:

A. Loan No. 58-508025 was granted on May 10, 1982 to Home and House Sales, Inc. in the amount of $26,867.05 at an 8.35% interest rate for a term of 6 months. As of the date of the current examination, the term of the loan had expired. The examiner noted that there was no extension agreement in file.

B. Loan No. 1400228 granted on October 8, 1981 to "Aaron and Weiss" in the amount of $29,330.45 did not indicate the date loan is to expire or if the loan is callable on demand.

C. A random selection of passbook loans revealed that the association did not have a supervisory hold on the collateralized savings accounts examined. In order to ensure that passbook loans are properly secured, it is essential that holds be placed on all pledged savings accounts.

Comment 7:

An examination of the record supporting consumer loans revealed the following:

A. The association made approximately 12 of 22 "consumer" loans during the period of the current examination to companies, corporations, partnerships, etc. which did not meet the definition of a consumer loan set forth in Regulation .49A(2); rather, they appear to be commercial loans.

The following "consumer" loans were granted by Security Savings and Loan in violation of Regulation .49A(2):

Date	Loan No.	Borrower	Original Amount	Balance Exam Period
12/29/82	300004	Pikesville Hotel, Ltd. Partnership, et al	$200,000.00	$200,000.00
12/29/82	300005	Pikesville Hotel, Ltd. Partnership, et al	185,000.00	168,590.46
2 /16/83	300006	B.S.P. Associates	88,500.00	82,319.39
10/13/83	300011	Capital Realty Co.	10,000.00	10,000.00
11/03/83	300012	Capital Realty Co.	4,000.00	4,000.00
11/14/83	300013	Capital Realty Co.	7,500.00	7,500.00
8/1/83	300009	Levitt and Pearlstein-Hampton Associates	1,300,000.00	-0-
12/15/83	300016	Warren Klawans	175,000.00	175,000.00
6/12/84	300028	Katan Partnership No. 12	29,184.00	28,527.17
8/1/83	300008	Fenwick Development	200,000.00	-0-
10/11/83	300010	Fenwick Development	200,000.00	-0-
12/23/83	300018	Capital Realty	10,000.00	-0-
2/8/84	300021	Fenwick Development	400,000.00	-0-
3/15/84	300022	Fenwick Development	200,000.00	-0-
3/28/84	300023	Capital Realty	75,000.00	-0-

B. Loan Nos. 300004, 300005, 300006, 300008, 300009, 300010, 300021, 300022, 300027 and 300016 were granted in amounts which exceeded the 2.5% of net worth requirement of Regulation .49G(2).

Comment 7: (Cont.)

C. Loan No. 300011 was 210 days delinquent as of the date of the current examination. Regulation .49E requires that a specific loss reserve be established and maintained as a charge against the reserves in an amount of this loan and any other consumer loans which are classified as a loss.

D. None of the consumer loan files examined contained completed loan applications as required by Regulation .49C(1)(a).

E. Loan Nos. 300024 and 300027 did not contain a disclosure statement as required by Regulation .49C(1)(b).

F. Loan file Nos. 21-300011, 300012, 300009, 300013 and 300016 did not contain the additional documentation required by Regulation .49C(2)(a)(b)(c), i.e., declaration of value of collateral, insurance on collateral and the original financing statement or evidence of non-filing insurance.

G. The settlement sheet in loan file No. 300016 was not signed by the borrower.

Comment 8:

An examination of the books, records and accounting practices revealed the following:

A. A review of general ledger account No. 253090 entitled "Reserve for Old Outstanding Checks" revealed that checks totaling $4,893.39, which are from 5 to 10 years old, are still being carried in this account.

These checks should be remitted to the Treasurer of the State of Maryland as required by Section 17 of the Commercial Law Article.

B. A review of the association's payroll records revealed that the ADP reports for officers' salaries for the fiscal year ended February 28, 1984 totaled $6,194.86 less than the control account in the general ledger.

It was also noted that the ADP reports for officers' salaries totaled $5,317.84 less than the control account in the general ledger as of the date of the current examination.

C. A review of general ledger account No. 2850390 entitled Retained Earnings - Unappropriated revealed that additions and subtractions were made totaling $281,843.24 and $210,411.51, respectively. It was noted that there was no documentation available to identify the nature and purpose of these entries.

D. A review of the subsidiary records for stationery and printing, general ledger account Nos. 4820101 through 4820690, revealed that the subsidiary exceeded the general ledger by $4,946.24.

E. A review of general ledger account Nos. 4500490031 through 4500490038, Advertising Expense, revealed that the subsidiary exceeded the general ledger by $1,671.20.

Comment 9:

An examination of the files of the mortgage loans for which there are proceeds held in the Loans-In-Process Account in the general ledger revealed the following:

A. A review of the Loans-In-Process accounts as of June 30, 1984 revealed that the subsidiary LIP cards were $1,245,832.54 less than the control account in the general ledger. A further review of the LIP loan cards revealed that the variances were due to the time lag in posting disbursements made by the mortgage department (which posts immediately to the construction in progress cards) and the posting to the general ledger by

Comment 9: (Cont.)

the accounting department. The examiners noted that the time lag on the posting of disbursements in the accounting department can take several days. It is the examiners' opinion that all disbursements should take place in the accounting department or simultaneously on two sets of LIP cards in each department, in order to eliminate the 2-10 day time lag in posting to the general ledger. The late posting can and has materially affected the reports sent to MSSIC and the Division.

B. A $604,236.78 disbursement made on the LIP cards on June 21, 1984 was not posted to the general ledger until August 9, 1984.

Comment 10:

A review of Real Estate Owned revealed the following:

A. There are no current appraisals in file for properties in REO. It is necessary that appraisals be made when properties are transferred to REO in order to assure that the assets are not overvalued on the association's books.

B. REO #48 carries a $1.00 balance on the books. According to association personnel, this entry reflects rights in Pennsylvania property which was acquired through a judgment. No one was able to provide the address of the property or the particulars of the judgment.

C. Tax bills totaling $1,439.53, for properties owned by Security Investment Corporation, were charged to Security Savings and Loan REO Expense on September 28, 1983.

D. Rental income from REO properties in Florida has not been recorded on Security's books.

E. There are no current insurance policies in file for the Cypress Court Condominium Units, located in Fort Lauderdale, Florida, or for Unit 305, Bayshore Park Condominium, located in Dade County, Florida.

Comment 11:

A review of Loans Foreclosed and Sold to Third Parties revealed the following:

A. No money has been withdrawn from Hypothecated Share Account #010050436 to cover the deficiency shown on the Court Auditor's Report for the sale of leasehold property known as 2400 Elsinore Avenue.

B. Loan file #69-020-8694 (Gray & Gray) was subject to comment in the previous examination. The file was unavailable for review by the examiners.

Comment 12:

A review of the activity in Security Investment Corporation revealed the following:

A. A review of the Hampton Associates loan revealed the following exceptions:

1. The insurance policy does not have Security Investment Corporation named as mortgagee.

2. The title policy has not been endorsed to reflect Security Investment Corporation as the insured.

3. It could not be determined from the file documentation if the loan was current or delinquent when it was purchased from the Savings Bank of Baltimore.

4. The association's loan-to-value ratio on this property is 81.8%; this exceeds the 75% limitation contained in Regulation .30C(5):

Security Savings and Loan (loan #208943) - granted August 10, 1983	$2,360,000.00
Security Investment Corporation (wholly-owned subsidiary of Security Savings and Loan) - loan purchased October 17, 1983 from Savings Bank of Baltimore	913,561.46
Total for association and service corporation	$3,273,561.46
	÷
	$4,000,000.00
	appraised value
	= 81.8%

It was further noted that the total loan amount of $3,273,561.46 represented 103.9% of the total purchase price of $3,150,000.00 ($2,752,000.00 for the realty, and $398,000.00 for personal property - recorded financing statement in file). Please furnish this office with an explanation for the difference between the purchase price and the appraised value; also, please include a copy of the appraisal with the response to these comments.

5. Various documentation exceptions pertaining to the association's loan have been noted in Comments 1-C, 1-F, 1-G, and 1-J, respectively.

B. The service corporation's investments in partnerships and joint ventures are not shown on the books. Security Investment Corporation has an investment in Moravia Mini Storage and Army Associates for $300.00 and $280.00, respectively.

C. Legal expenses for Urban Resorts Group and Woodhouse Row totaling $12,904.11 are carried on the books of the service corporation, while the real estate pertaining to these projects is not.

D. No financial statement for the service corporation has been submitted to the Division as required by the Financial Institutions Article, Section 9-306, and Regulation .34E(2).

E. Auditors' adjustments dated February 29, 1984, pertaining to the Beechwood loan which is no longer on the books of the service corporation, were not posted.

INFORMATIONAL COMMENTS:

A. A comparative analysis of the financial condition of the association as of June 30, 1984 and May 31, 1983 revealed the following:

			Increase (Decrease)	
	June 30, 1984	May 31, 1983	Dollar Amount	Per Cent
Total Savings	$134,433,668	$114,818,226	$19,615,442	17.1
Total Net Worth	4,165,928	3,779,443	386,485	9.3
Total Mortgage Loans	138,172,607	105,211,671	32,960,936	31.3
Total Assets	164,987,417	137,423,079	27,564,338	20.1

Security Savings and Loan, Inc.

INFORMATIONAL COMMENTS: (Cont.)

B. A review of the association's earnings for the calendar/fiscal year ended February 28, 1984 disclosed the following:

		Dollar Amount	% to Net Oper. Inc.
1.	Net operating income (Page 6, Line 1)	$12,504,401	100.0
2.	Taxes (Page 6, Line 4)	28,059	0.2
3.	Earnings distributed on savings (Page 6, Line 3)	11,208,009	89.6
4.	Net income available for reserves and surplus (Page 6, Line 2 and Line 6)	1,268,333	10.2
5.	Net income distributed (Total of 2, 3 and 4 above)	$12,504,401	100.0

Savings Accounts Insured by
MSSIC

EXAMINATION AS OF

July 30, 1984

Current Policy or Certificate No.

Security Savings and Loan Association (a stock corporation)
Association

4 East Franklin Street Baltimore Maryland 21202
Address City State Zip Code

Address of Branches

(1) See Attached

(2)

Free Share or Savings Accounts

No. 26,050 $134,433,668.99

Mortgage Loans

No. 2,060 $138,172,617.08

March 19, 1895	Stock	Last Day in February	1st Tuesday in June	7% monthly
Date Chartered	Stock or Mutual	Years End	Annual Meeting	Dividend Rate and Period

OFFICERS AND DIRECTORS

	Name	Address	City	Officer	(x) Director
(1)	Zell C. Hurwitz	6724 Chokeberry Road	Baltimore	President	(X)
(2)	Theodore C. Denick	RFD-1 Woodland Road	Lutherville	Secretary Vice President	(X)
(3)	Roberta L. Wertz	5934 Daybreak Terrace	Baltimore	Vice President	(X)
(4)	Marc A. Hurwitz	6724 Chokeberry Road	Baltimore	Executive Vice President	(X)
(5)	Michael S. Roseman	7119 Boxford Road	Baltimore	Vice President Treasurer	(X)
(6)	Leah H. Meledones			Vice President	
(7)	Judith A. Frank			Vice President	
(8)	Allan J Cavey			Comptroller	
(9)					
(10)					
(11)					
(12)					
(13)					
(14)					
(15)					

Counsel

Name Bass and Denick, P.A.
Address 916 Munsey Building
Baltimore, Maryland 21202

Accountant

Name Glass and Associates
Address 222 Saint Paul Place
Baltimore, Maryland 21202

Period of Examination	
August 7, 1984	September 14, 1984
From	To

Examiner-In-Charge
Gregory L. Watkins

FORM: DLR/BSL/44/10-83/84-248

IIIH16

2775

BASS & DENICK, P.A.
ATTORNEYS AT LAW
916 MUNSEY BUILDING
BALTIMORE, MARYLAND 21202
(301) 685-7400

LEONARD BASS
THEODORE C. DENICK
STUART L. SAGAL
HOWARD CASSIN

LARRY CAPLAN
JOHN H. DENICK
ROBERT N. KILBERG

May 1, 1985

Division of Savings and Loan Associations
Suite 800
The Brokerage
34 Market Place
Baltimore, Maryland 21202-4078

Attention: Charles H. Brown, Jr., Director

RE: SECURITY SAVINGS AND LOAN

Dear Mr. Brown:

Pursuant to your request, we are enclosing herewith two (2) copies of the Board of Directors' response to the examiner's comments concerning the examination of the Association's books and records as of June 30, 1984.

Pursuant to your request, we are forwarding to MSSIC a copy of this letter and of the Board's response.

Sincerely yours,

Ted Denick

THEODORE C. DENICK

TCD/sa
Enclosure
CC: MARYLAND SAVINGS-SHARE INSURANCE CORPORATION

RECEIVED
DEPT. OF LIC. & REG.
DIV OF SAV & LOAN ASSNS
MAY 2 1985

IIIH17

2776

April 26, 1985

A Special Meeting of the Board of Directors of Security Savings and Loan (A Stock Corporation) was called to order by its President, Zell C. Hurwitz, at 10 o'clock A.M., at the main offices of the Association. All members of the Board of Directors were present as were certain key department heads.

Mr. Hurwitz stated that the purpose of this meeting was to review the transmittal letter of February 19, 1985 received from the Division of Savings and Loan Associations and the report that accompanied the examination. Mr. Hurwitz acted as Chairman of the meeting and Theodore C. Denick acted as Secretary of the meeting.

Mr. Hurwitz advised the members present that the Directors and certain key employees of the Association have spent a considerable amount of time and effort in order to compile these answers and to determine the deficiencies and responsibilities which necessitated these comments by the Division.

Whereupon, the following action was taken:

COMMENT 1:

A. 208924 - Original Mortgage in File

B. 209188 and 209209 - Paid Loans
209109 and 208982 - Policies in File
209083 - Master Condominium Policy
209053 and 209221 - Endorsements are in file
209158 and 209159 - Policies are in file, flood insurance has been requested
209009 - Property has been released
Check next exam 2. 209222 - Original in file #209221

C. After careful review of the files and review of Regulation 29-A, the Loan Origination Department is now completing all necessary forms.

209253 - Paid Loan
209181 - Refinance - No Contract Necessary
209231 - Contract is in file
209168 - In File
Check next exam 2. 209053 - In File

RECEIVED
DEPT. OF LIC. & REG.
DIV OF SAV. & LOAN ASSNS
MAY 2 1985

D. 208853 - Narrative appraisal in file updated by letter

E. 209235 - Is a Construction Loan
208889 - Purchased from First National
209158-59 - All qualifications are on file except Ice Pond. This is an in-house Appraiser from First National and has been requested
209056 - Qualifications in file
209216 - Qualifications requested
209221 - Qualifications requested
209253 - Qualifications requested
209181 - Qualifications are in Master File
We have updated qualifications on Leon Amernick in our Master File.
209250 - Statement in file

F. 208943 - Title Certification Requested
208924 - Title Policy in File
209053 - Title Policy in File
209188 - Closed File
209209 - Closed File

G. 209222 - Settlement Sheet requested from Rouse Co. - Purchased Loan.
208943 - Settlement Sheet is in file

H. 209188 - Closed File
209209 - Closed File

I. 208895 - An additional security code 06 has been added to NCR on this account to indicate the guarantee.

J. 208943 - Partnership Agreement is in file

K. Documentation is in files.

COMMENT 2:

Status of Delinquent Accounts:

208702 - Reicke - Paid in Full
208687 - Kehoe - Foreclosed - REO
208692 - Kehoe - Foreclosed - REO
208755 - Naglewski - Pending Foreclosure
208756 - Claar - Pending Foreclosure
208762 - Kehoe - Foreclosed - REO
208763 - Kehoe - Foreclosed - REO
208764 - Niedzwiecki - Foreclosed - REO
209063 - Lloyd - Paid in Full
208479 - Middle States - Paid in Full
208483 - Middle States - Paid in Full

COMMENT 3:
Mortgagor's escrow accounts are being analyzed October of each year and any shortages are being collected.

Awaiting L.D. ruling

COMMENT 4:
A. The Association has maintained a regular interest savings passbook account at 4% and this is in keeping with the spirit and intent of Commercial Law Article 12-109 and the subsections under it.

seek opinion

B. The Association does not take a late charge out of the expense account which is prohibited. When payment is received on an account that has a late charge, the late charge is taken out of the actual payment before any of the other items are spread.

not adequate

COMMENT 5:
A. Surf Associates 208964 is improved property with a condominium project. All values were determined as to a construction loan not unimproved land.

a. 209068 - This loan was not unimproved property. The values are in line. This was a rehabilitation loan.

2778

B. 208895 - The property was originally from land which was improved to develop lots which increased the value of the rest of the property and in addition there are contracts to purchase indicating the fair market value...

C. 209250 - The loan-to-value to the security is a 85% loan-to-value but this loan also has another property as additional collateral which was not taken into consideration. The loan-to-value is less than 80%.

209158 and 209159 - The Board then considered the examiner's comments on Nu-Diaper Baby Service, Inc. and the Officers of the Association explained that they had gone into considerable detail on this loan with the Division's Examiners who did not seem to grasp the understanding of the transaction. Nu-Diaper Service had been owned by two brothers named Warench. One of the brothers sold his interest in the corporate business unto the other brother and the brother that remained with the business financed through this Association. All of the real estate, chattels and equipment owned by the Corporation as well as additional security representing mortgages on various residence of the remaining brother and his son. Additionally, the Association took an assignment of all of the issued and outstanding stock of the Corporation. The amount of our loan was equal to one-half the agreed and appraised value of the business according to the financial statements of the business and was the actual buy-out figure of a 50% interest in the business. Therefore, when this Association loaned only 50% of the value of the business, and received 100% of the business as security plus the equities in the remaining brother's and his son's properties, it was felt that the loan was more than adequately secured.

COMMENT 6:

A. A notice has been sent to Borrower in order to pay the loan off.

B. The customers have been contacted in order to fill in the requisite information on the note.

C. Supervisory holds are now distributed to all branches and the same is posted for the tellers to observe the status of any account containing a passbook loan or other type of hold. (i.e. attachments, government liens, etc.).

COMMENT 7:

A. It is our understanding that we are approved under Federal-Tie-In to do commercial loans to corporations and individuals doing business.

B. This is brought to the attention of the Loan Committee and they have been cautioned about the requirements of Regulation .49A(2). An examination of the accounts revealed that they have been substantially reduced and effort is being made to promptly bring them into compliance with all requirements.

C. 300011 - Paid - December 14, 1984

D. An effort is being made to have completed applications in every file.

E. 300024 - Disclosure Statement in file
300027 - Paid Loan

F. 300011 - Paid
300012 - Paid
300009 - Paid
300013 - Paid
300016 - Has original mortgage in file. The Appraisal and insurance has been requested.

G. 300016 - Signed Settlement Sheet in file.

COMMENT 8:

A. Will file report to Abandoned Property and remit as required.

B. ADP reports do not reflect accruals. Payroll is on a bi-weekly basis and adjustments are made to reflect closing date payroll.

C. Auditor's year and entries - documentation was available.

D. & E. Differences caused by classification of intercompany accounts and by accruals.

COMMENT 9:

A. & B. The time lag in posting disbursements has been corrected. Current procedures, including a planned computerized system will prevent delays.

COMMENT 10:

A. This is being worked on - Appraisals - REO.

Check out next item

B. This REO was part of a lawsuit dating back several years prio to Sharon acquiring Security. No records were found but the Association has been able to determine that the lot is located in Susquehana Trails and regular payments are submitted to the Association. Security had an attorney in Pennsylvania handling the account and Sharon retains the same attorney to handle the account.

C. The properties in question have been sold.

D. Rental income has been recorded.

E. Cypress Court Condominium Units are in the Master Folder and the Association has certificates concerning the same. The other Unit at Bayshore Park Condominium has been sold.

COMMENT 11:

A. Account has been withdrawn and credited to mortgage account.

B. This loan had been sold and the folder delivered to the Buyer of the loan.

COMMENT 12:

SECURITY INVESTMENT CORPORATION:

A. 1. The endorsement has been ordered.

 2. The endorsement has been ordered.

 3. The account was current per the payoff statement.

 4. We can lend 80% of Appraised Value.

B. Investments have been recorded.

C. The service corporations believed that they might be able to earn substantial commissions if they work out certain problems that existed with Urban Resorts Group and Woodhouse Row and with this thought in mind, they communicated with legal counsel in New Orleans to determine whether they could serve as a broker, mortgage servicer, and serve in other capacities in Louisana and sought legal counsel in connection therewith.

D. Statement has been filed.

E. Adjustments have been posted to this account.

Extensive discussions were had and directions issued to eliminate incomplete documentation which resulted in an excessive amount of work and time being involved to clear up mistakes or omissions when a file is originally handled. Further, closer supervision must be maintained by department heads to make sure that directions and policies are attended to with care.

The Secretary was directed to send two copies of these Answers to the Examiner's Report to the Division of Savings and Loan Associations and one copy to Maryland Savings-Share Insurance Corporation.

There being no further business coming before the meeting, the same was adjourned.

SECRETARY

LAW OFFICES OF

MELNICOVE, KAUFMAN, WEINER & SMOUSE, P. A.

JOSEPH [illegible] KAUFMAN
ARNOLD M. WEINER
ROBERT E. CAHILL
FRANKLIN GOLDSTEIN
H. RUSSELL SMOUSE
LOUIS E. PRICE
ABRAHAM L. ADLER
EDWARD RASKIN
M. ALBERT FIGINSKI
CHARLES M. TATELBAUM
ISAAC M. NEUBERGER
DAVID L. SNYDER
RICHARD V. FALCON
GARY I. STRAUSBERG
GERARD P. MARTIN
AVRUM M. KOWALSKY
RANSOM J. DAVIS
GLENN E. BUSHEL
IRA C. COOKE
D. CHRISTOPHER OHLY
GEORGE F. PAPPAS
RICHARD RUBIN
STEPHEN F. FRUIN

ANDREW [illegible]. SHARP
ROBERT C. FOWLER

STEPHEN B. CAPLIS
PRICE O. GIELEN
PHYLLIS W. BROWN
STANLEY A. SNYDER
JOHN M. GLYNN
ALAN M. GROCHAL
IRA L. ORING
KENNETH D. PACK
GREGG L. BERNSTEIN
JACK L. B. GOHN
M. MELINDA THOMPSON
A. DAVID BORINSKY
KAYE A. ALLISON
DONNA C. SANGER
ROBERT E. CAHILL, JR.
JEFFREY P. McEVOY
MARC MESSING
JULIE C. JANOFSKY

EDWARD A. HIRSCHHORN
G. ANTHONY HYLTON
NANCY S. ALLEN
JAMES H. WANNAMAKER III
ARTHUR R. ROSE
NEILE S. FRIEDMAN
STUART R. BERGER
ROSS E. EICHBERG
NEIL M. LEVY
CAROL K. LISMAN
MATTHEW W. NAYDEN
ETHAN L. BAUMAN
GARY L. ALEXANDER

OF COUNSEL
KENNETH H. EKIN
LOUIS SILBERSTEIN

BERNARD S. MELNICOVE
(1911-1971)

[illegible] SOUTH CHARLES STREET
SIXTH FLOOR
BALTIMORE, MARYLAND 21201-3060

TELEPHONE (301) 332-8500
TELECOPIER (301) 332-8584
TELEX 710-234-2414

(WRITER'S DIRECT DIAL NO.)

332-8561

December 31, 1985

John Church, Esq.
Office of Special Counsel
Suite 1513
301 West Preston Street
Baltimore, MD 21201

Re: Sharon Savings & Loan

Dear John:

This letter is a follow-up to our meeting of Friday, December 20, 1985. It responds to your request that we put some of the information we shared with you in written form, and that we supply some new material that addresses questions you raised during our meeting.

We have already supplied you with the appraisals and financial analyses which show that affiliated parties have leased locations or equipment to Sharon. The appraisals show that the rents paid by the association were below market rates and were less than those which would have been paid to third parties. While Sharon's Board of Directors did not formally approve individual lease transactions, the members of the board were aware of the transactions, approved of them informally, and a formal ratification of the leases could be obtained if such an action were felt to be necessary. You indicated an interest in the letter written by Sharon to the Division of Savings and Loans regarding the Systeme equipment. Although the original should be in the Division's files, we are continuing to search for our retained copy, and I will send it along to you as soon as I have obtained it.

Traditionally, savings and loan associations have found it to be within their financial interest to lease property and equipment rather than to purchase it. Leasing enables the associations to obtain the needed property and equipment without making substantial cash outlays. Because the associations historically have been required to pay little or no income tax, the tax advantages of owning property or equipment, which are available to most individuals and businesses, are not directly available to the associations. However, in the case of Sharon, these tax advantages were passed along to the association in the form of the below-market rents on the property and equipment. For this reason, the leases were particularly advantageous for Sharon. The practice of leasing thus strengthened the association's financial position from both a cash flow and a net worth standpoint and enabled it to make more mortgages and other loans than would otherwise have been possible.

You have also asked about the shareholders' interest in the earnings of the Sun Title Corporation. We previously have supplied you with Sun's average annual earnings from 1979 until the present. As you know, Sun is a Subchapter S corporation, and as such, each of the three stockholders, Marc, Steven, and David, has a one-third interest in its earnings. Following is a list of the amount credited to each for the fiscal years ending March 31, 1979 through March 31, 1985: FY 1979: $2,133.33; FY 1980: $18,666.67; FY 1981: $35,666.67; FY 1982: $26,333.33; FY 1983: $105,000.00; FY 1984: $136,333.33; FY 1985: $51,000 (est.) (year-to-date: $38,300). As I informed you at our meeting, Sun Title will shortly become a wholly-owned subsidiary of Sharon, and Sharon will become its sole stockholder.

At our meeting, we furnished you with a chart showing the history of Sharon's purchases of certificates of deposit from Gibralter Building Association. As we explained, the rates paid by Gibralter to Sharon on the certificates were always at market rates. Moreover, the rates which Sharon received from Gibralter were completely consistent with the market rates which Sharon was obtaining on comparable certificates purchased from other institutions. I am enclosing a chart which shows the prime rates as set by Equitable Trust during the period in question. Also enclosed is a chart which shows the rates that Gibralter was paying to Sharon and Security on their certificates of deposit. Finally, I am enclosing a worksheet which compares the rates which Sharon received from Gibralter with the rates it was receiving from other institutions on comparable certificates opened or renewed during the same time periods as the transactions with Gibralter.

This information shows clearly that the interests of Sharon and its depositors were fully protected throughout the entire course of dealings between Sharon and Gibralter. The information on the prime rate also reaffirms what we discussed during our meeting: that there was absolutely no relationship between Sharon's purchases of certificates from Gibralter and the treatment by Gibralter of any loan made to parties affiliated with Sharon. On March 19, 1982, when the loan was made, the prime rate stood at 16.5 percent and the loan was made at 15 percent. By December 22, 1982, the prime rate dropped to 11.5 percent, and the loan was renegotiated at a 10 percent rate. Under the terms of the loan, the borrower had the right to pay it off in full at any time. As an alternative to the borrower's exercising this option, Gibralter simply agreed to reduce the rate on the original loan by an amount that corresponded to the drop in the prime rate. In short, the objectively verifiable figures fully support the fact that there was no relationship between Sharon's purchases of CDs at Gibralter and the treatment of the loan.

You also asked about loans involving convenience store properties. For the reasons explained at our meeting, it is our view that the simultaneous loan transactions complied with the Maryland regulations. Moreover, the loans were entirely valid and worthwhile investments on their merits. The loans were made at competitive interest rates and required the borrower to pay a fee of three points in addition to the annual rate. As you are further aware, the subsequent history of these transactions show that they were fully justifiable from a business standpoint. Payments on the loans made by Sharon are completely current. Moreover, as you know, the properties underlying the loans made by Old Court recently were sold under a cash contract, and the conservator chose not to exercise Old Court's option to require that the loans be paid off at that time. The conservator's decision acts as an independent confirmation that these transactions were fair ones and that neither Sharon nor its depositors were prejudiced by them in the slightest degree.

Similar considerations apply to the issue which was raised during our most recent telephone conversation: loans by

Sharon to projects in which MSD owned limited partnership interests. I understand that you already have obtained the reports of the FSLIC examiners, but I feel it is important to make several points which may not have been fully spelled out in those reports or Sharon's responses to them. First, the repayment of the loans is completely current. Second, Sharon's loans were made at market rates -- in fact, the rate charged has now proved to be well above the market rate -- and all the other terms and conditions of these loans were identical to those which would have been required on similar loans involving only unrelated parties. Thus, Sharon's position is the same regardless of whether MSD or an unrelated party had owned the interest.

Finally, in response to your request, I am enclosing materials concerning the transaction in May of this year in which Sharon purchased $1,000,000.00 in mortgages and an additional million dollars in equity participation from Old Court Savings & Loan. Sharon purchased both the mortgages and the participation from Old Court. However, since Sharon banked with Equitable Trust, and both Old Court and Security (a wholly-owned subsidiary of Sharon) banked with Union Trust, it was much simpler to transfer the funds from Security's account at Union Trust directly to Old Court's accounts there. Security was then reimbursed by Sharon through an inter-company transaction as per the attached computer printout.

Please do not hesitate to contact me at any time if I can be of further assistance in connection with these or any related matters.

Sincerely yours,

Ethan Bauman

Ethan L. Bauman

ELB/kko
2326f

Enclosures

PROMISSORY NOTE

U.S. $500,000.00

Baltimore, Maryland
March 19, 1982

FOR VALUE RECEIVED, the undersigned, STEVEN HURWITZ, MARC HURWITZ and DAVID HURWITZ, Co-Partners, trading as MSD PARTNERSHIP, a Maryland Partnership, hereinafter called Maker, promises to pay to the order of GIBRALTAR SERVICES CORPORATION, hereinafter called Payee, the sum of FIVE HUNDRED THOUSAND ($500,000.00) DOLLARS, in lawful money of the United States of America, as follows:

1. The aforesaid principal balance shall bear interest at the rate of FIFTEEN (15%) PERCENT per annum on unpaid principal balances until paid in full. Principal and interest shall be paid in monthly installments calculated on a TWENTY-FIVE (25) YEAR PAYMENT PLAN of SIX THOUSAND FOUR HUNDRED FIVE AND 00/100 ($6,405.00) DOLLARS per month commencing THIRTY (30) DAYS from the date hereof and continuing on the same day of each month thereafter until this Note is fully paid, except that, if not sooner paid, the final payment of principal and interest shall be due and payable FIVE (5) YEARS from the date hereof.

2. This Note is secured by an Assignment of a Mortgage from James Cann, Mortgagor, to the Makers hereof, a copy of which is annexed hereto and covering investment properties situate basically in the City of Baltimore, State of Maryland.

3. The Makers hereof agree to pay to the Holder of this Note a late charge of FIVE (5) PERCENT of the total amount of any delinquent or late periodic installment of interest and principal which is received at the office of the holder of this Note more than FIFTEEN (15) DAYS after the due date thereof.

STEVEN HURWITZ

MARC HURWITZ

DAVID HURWITZ
CO-PARTNERS, TRADING AS
MSD PARTNERSHIP

IIIH19

2786

THIS AGREEMENT, made this 19th day of March, 1982 by and between STEVEN HURWITZ, MARC HURWITZ and DAVID HURWITZ, as tenants and co-partnership, trading as MSD PARTNERSHIP, hereinafter called Debtor and GIBRALTAR SERVICES CORPORATION hereinafter called Secured Party.

WHEREAS, the Debtor promised to pay to the order of the Secured Party the principal sum of FIVE HUNDRED THOUSAND ($500,000.00) DOLLARS as more fully set forth in a Note dated evenly herewith between the parties and in order to secure the indebtedness and interest to accrue thereon, Debtor has assigned a certain Mortgage from JAMES E. CANN to Debtor unto the Secured Party, which said Assignment is on the following terms, namely:

1. All payments made under the Mortgage from James E. Cann to Debtor are to be received and retained by Debtor until default under the Note from Debtor to Secured Party and upon a default in the Note from Debtor to Secured Party, the same shall be paid over to Secured Party.

2. Secured Party upon being repaid the principal balance of FIVE HUNDRED THOUSAND ($500,000.00) DOLLARS with interest thereon at the rate of FIFTEEN (15%) PERCENT per annum on or before FIVE (5) YEARS from the date hereof, shall transfer back to Debtor the said Mortgage.

3. In case Debtor shall make default in payment of said FIVE HUNDRED THOUSAND ($500,000.00) DOLLARS on or before FIVE (5) YEARS from the date hereof or shall make default in payment of its said Note to Secured Party when installments become due, Secured Party may, at any time thereafter, upon giving Debtor FIFTEEN (15) DAYS written notice of intention to so do, sell the said Mortgage at such price or prices and in such manner in all respects as Secured Party shall think proper, and out of the proceeds of sale, Secured Party shall reimburse itself for the amount then due to it with interest thereon up till such time, and all costs or expenses in connection with said sale, rendering the Debtor such surplus which may arise from such sale.

IN WITNESS WHEREOF, the parties have executed this Agreement.

STEVEN HURWITZ

MARC HURWITZ

2787

DAVID HURWITZ
CO-PARTNERS TRADING AS
MSD PARTNERSHIP, Debtor

GIBRALTAR SERVICES CORPORATION

BY: ~~VICE~~-PRESIDENT

SECURED PARTY

Memorandum

To: William S. LeCompte, JR Deputy Director
FROM: Jeffrey S Fine, Bank Examiner IV

Date: November 18, 1983.

RE: Loan to M.S.D. Associates by Gibralter.

As I discussed with you previously Gibralter Bank reduced the rate on an existing loan to MSD Associates because of inducements provided by the Hurwitz's of Sharon S&L. Sharon would lend to Gibralter $500,000. at 10% for 5 years. In return Gibralter would reduce the 15% rate on its $500,000 note from MSD to 10% rate for the remaining term of approximately 4 years 5 months.

I have attached the workpapers for your review. I do not see that any comments can be made about Gibralter as far as the exam goes. However, it appears that the Hurwitz's breached their fiduciary duty to the association. They personally stand to save $25,000 per year in interest on this set up that would have been earned by Sharon if it could have put the money out at a market rate which was 15% or more at the time on unsecured note loans

IIIH20

I think what occurred here is a serious matter and should be forwarded to the attorney general's office and the Balto. City States attorney's office for criminal action.

On March 19, 1982 M.S.D Associates of obtained a $500,000 note loan from Gibralter Services Corporation (A subsidiary of Gibraltar B&L). Terms of this loan were 15% interest perannum with a five year term and principal and interest based on a 25 year amortization.

M.S.D. Associates is a partnership of Marc, Stephen and David Hurwitz. The Hurwitz's are all children of Zell Hurwitz who is President, director and majority stockholder of Sharon S&L (and Security S&L) Marc HURWITZ is also an officer and director of Sharon S&L Steven and David are also employees/and stockholding of Sharon S&L.

Gibralter agreed to modify the interest rate charged to 10% (from 15%) upon the condition that Sharon (or Security S&L) deposit or loan to Gibralter $500,000. at the same rate (on about 12/22/82)

This in essence has Sharon S&L loaning M.S.D Associates the $500,000. at 10% when they would have been paying 15%. ~~The~~ Sharon S&L is losing approximately $25,000. per year for the remaining 4 years and 3 months of the loan term. Gibralter will break even on the loan except that as the p&I ~~pay~~ reduces the loan balance below $500,000 then Gibralter will still have the entire $500,000. loan or deposit from Sharon S&L so it will make a small amount of money. Sharon is clearly the loser in this transaction. What is being done here is Sharon S&L is ~~paying the~~ subsidizing the rate in the loan to MSD. Associates ~~[illegible]~~ which is personally saving the officers, directors, employees and controlling persons of Sharon about $25,000 a year at the expense of Sharon but to the ~~[illegible]~~ personal benefit of M.S.D.

The persons at Sharon may be in violation of Section 2-405.1 (a)(2) of the Corporations and Association (See A.G opinion - 62 Op Atty Gen. 804(1977))
Also <u>See</u> ART. 27 Section 132 Fraudulent misappropriation by fiduciaries.

This is certainly a breach of responsibility of a fiduciary (the directors). It may also violate FIA 9-323 or 9-307 and regulation 43.

	Initials	Date
Prepared By	JF	
Approved By		

National® 45-602 Eye-Ease 45-602 20/20 Buff Made in USA

Gibralter B/L

9/30/83

On 10/24/83 Mrs Diane White, Vice President of Gibralter stated to examiners J. Fine and R. Donnelly that as of yet, Gibralter has not received the $500,000. loan from Sharon S+L. I asked her what then did Gibralter get in return for reducing the rate from 15% to 10% on the $500,000 loan to M.S.D Associates. Ms White stated that Sharon S+L now was obligated to lend Gibralter $500,000. at 10% interest per annum for 5 years. I asked where this was written and she stated that it was a verbal agreement. I asked if I could get something in writing to indicate that it was her understanding that Sharon S+L was to loan Gibralter $500,000. at 10% for 5 years. She gave me the attached memo (dated 10/24/83).

I then asked if she could get me something from Sharon S+L, preferably Mr Zell Hurwitz, that they were aware that they would loan, at a future date, to Gibralter $500,000. for 5 years at 10% interest and that this was in return Gibralter S+L reducing the rates on the loan to MSD Associates from 15% to 10%. Ms White first asked why Zell Hurwitz? I stated that the loan was marked care of (c/o) Zell HURWITZ and I had assumed that the deal was arranged with him. She stated that the agreement was arranged with Steven Hurwitz. She also said she didn't think Steve Hurwitz would give her a letter stating that the loan to Gibralter from Sharon S+L was in return for reducing the rates to MSD Associates because MSD is his loan. But she is sure she can get a letter stating that Sharon will lend Gibralter the $500,000 for 10% for five years.

Ms White did reconfirm that that was the arrangement but did not think she could get Sharon to put it in a letter. I stated that if the agreement was tied to the MSD loan I would like it stated in the letter. Ms White said she would try

2793

	Initials	Date
Prepared by	JF	
Approved by		

Gibralter B/L

9/30/83

Also Mrs White stated that this was purchased in July 1983 by Gibralter B/L from Gibralter Service Corp. There is no purchase agreement in file and no assignment in file.

Also at first Ms White stated that the rate was lowered as of January 1983. After the examiner looked at the payment card he showed her that the rate was lowered effective 12/1/82. She then stated that it was her recollection that the rate was lowered effective with the January payment. I asked if there was anything signed by McSD associates showing in writing the lower rate. She said no only the file memo.

I asked if the lower rate was approved by the loan committee. She said yes, for the Service Corporation she is the loan committee.

We will be looking in the minutes to see if the loan was approved at the reduced rate and under what conditions. Not mentioned in the minutes.

Prepared By JF

Approved By

Gibraltar B/L

9/30/83

Comments:

on loan to M.S.D Associates

① No purchase agreement or assignment of this loan from Gibraltar Service Corp to Gibraltar S+L. (about 7/82)

② Rate modified for period beginning 12/1/82 (January 1983 payment). [illegible] written modification in file.

③ Minutes of [illegible] (or for service corp) do not indicate approval of [illegible] modification on this loan.

④ The verbal agreement that requires Sharon S+L to loan Gibraltar $500,000. for 10% for 5 years is not in the minutes.

⑤ Furthermore this agreement may be illegal on the part of Sharon S+L and the Hurwitz's in that there [illegible] breach of fiduciary responsibility by an officer, director, employee + controlling person. [illegible] possible misappropriation by a fiduciary. The Hurwitz's and MSD. are profiting at the expense of [illegible] S+L through Gibraltar B/L.

The examiner believes that Gibraltar Services Corporation agreeing to lower the rate on the condition that Sharon S+L or Security S+L loan Gibraltar $500,000.00 or $500,000.00 of loans at 10% is [illegible] unreasonable. This appears to be an illegal agreement. RW

Per Mr. [illegible] paid off in Feb 1984. This was not verified by the examiner because [illegible] stated that the exam [illegible] + anything that Supervision needs to research will be handled thru the supervisory letter or by sending me back.

RD

November 8, 1983

Ms Diane White
Vice President
Gibralter Building and Loan
700 Melvin Ave.
Annapolis, Md.

Dear Ms. White,

As I previously requested from you, I need a letter from an officer of Sharon S+L regarding Gibralter's loan of $500,000 to MSD Associates. This letter was to state that Sharon would lend to Gibralter at any time a total of $500,000 for 5 years at 10% per annum. Furthermore that these terms were in return for Gibralter reducing the rate charged on the MSD loan from 15% to 10%.

You stated to me that you would have Steve Hurwitz send you a letter to this effect. As of today I have not received this information. I must request that I have this information from Sharon by Monday November 14, 1983. If you have any questions about this matter please do not hesitate to contact me.

Sincerely,

Jeffrey S. Fine
examiner

No response as of 11/18/83

2796

Gibraltar
Building & Loan Association

October 24, 1983

Memo To: File/ Examiners

From: Diane C. White

Subject: Loan 9-1001/ Hurwitz

Please be advised that Gibraltar Services Corporation (or Gibraltar Building & Loan Association, the parent company) is in a position to obtain a $500,000. (or loans totaling $500,000.) loan from Sharon Savings & Loan Association (or Security Savings & Loan Association) at the interest rate of 10% per annum. This arrangement is based on a prior agreement as reflected in our loan file indicated above.

It is the intent of the building & loan (or service corporation) to make use of these available funds when necessary to the betterment of the lending institution.

Dane White

2797

☐ South River Medical and Professional Center
Edgewater, Md. 21037
956-2900

☐ Cape St. Claire Shopping Center
Annapolis, Md. 21401
974-1515

☐ Kent Island Shopping Center
Stevensville, Md. 21666
643-4191

Gibraltar

Gibraltar Building & Loan Association

2981 Solomons Island Road, P.O. Box 118
Edgewater, Maryland 21037
(301) 956-2900

1090 Cape St. Claire Road
Annapolis, Maryland 21401
(301) 974-1515

MEMO

LSG

12/9/82
DATE

SUBJECT

I have agreed to reduce the interest rate, by agreement only rather than by modification agreement, to 10% on the loan from Hurwitz to the Services Corporation. In exchange. we will receive a $500,000. loan from Sharon ~~[illegible]~~ to the Services Corporation at the rate of 10%.

Please prepare a 'note' loan to cover this amount from Sharon and indicate that it is backed by mortgage loans payable to the Services Corporation. This should be effective 1/1/83. Please let me have the note so that I can send the payment info. & get their check at the same time, hopefully making everything work well.

Thanks,

Gibraltar Services Corporation
A wholly owned subsidiary of Gibraltar Building and Loan Association, Inc.
1090 Cape St. Claire Road, Annapolis, Maryland 21401
(301) 974-1769 • (301) 269-0407

December 22, 1982

Mr. Steven Hurwitz
c/o Sharon Savings & Loan Assn.
P.O. Box 1511
Baltimore, Maryland 21203

Dear Steve:

As we discussed, Gibraltar is agreeable to reducing the annual interest rate on your loan thru our service corporation to 10%, on the condition that a $500,000. loan be made to the service corporation at the same interest rate. We will be prepared to accept your funds at your earliest convenience.

The service corporation will sign a note for the debt, and will be prepared to make principal reductions in accordance with the decline in the mortgage balance outstanding.

Thanks for your cooperation.

Sincerely,

Diane C. White
Vice President

DCW/jlc
cc: L.B. Goldstein

CASE INDEX/WORKSHEET

I-83-131
Case Number

Agency's Name: Savings & Loan

Date Received: 12-7-83

Date Closed: 12/7/83

AAG Assigned: Cooper

Subject Matter: Gibraltar S&L Possible breach of fiduciary duty.

Comments: It was agreed that this matter would be handled informally by Bill LeCompte — Requiring a reversal of the transaction.

FORM: DLP/OSL/#4/11-83/2C/84-323

IIIH21

2500

Ex. 32
JH 10-24-85

S&L Inquiry

Log In + Out 12/7

Re: Gibralta S&L —
Possible breach of fiduciary duty

Memorandum

To: William S. LeCompte, JR Deputy Director
FROM: Jeffrey S. Fine, Bank Examiner IV

Date: November 18, 1983.

RE: Loan to M.S.D. Associates by Gibralter.

As I discussed with you previously Gibralter Bank reduced the rate on an existing loan to MSD Associates because of inducements promised by the Hurwitz's of Sharon S+L. Sharon would lend to Gibralter $500,000. at 10% for 5 years. In return Gibralter would reduce the 15% rate on its $500,000 note from MSD to 10% rate for the remaining term of approximately 4 years - 3 months.

I have attached the workpapers for your review. I do not see that any comments can be made about Gibralter as far as the exam goes. However, it appears that the Hurwitz's breached their fiducary duty to the association. They personally stand to save $25,000 per year in interest on this set up that would have been earned by Sharon if it could have put the money out at a market rate which was 15% or more at the time on unsecured note loans.

I think what occurred here is a serious matter and should be forwarded to the attorney general's office and the Balto. City States attorney's office for criminal action.

On March 19, 1982 M.S.D Associates ~~of~~ obtained a \$500,000 note loan from Gibralter Services Corporation (a subsidiary of Gibraltar B+L). Terms of this loan were 15% interest per annum with a five year term and principal and interest based on a 25 year amortization.

M.S.D. Associates is a partnership of MARC, Steven and David Hurwitz. The Hurwitz's are all children of Zell Hurwitz who is President, director and majority stockholder of Sharon S+L (and Security S+L). Marc HURWITZ is also an officer and director of Sharon S+L. Steven and David are also employees and stockholders of Sharon S+L.

Gibralter agreed to modify the interest rate charged to 10% (from 15%) upon the condition that Sharon (or Security S+L) deposit or loan to Gibralter \$500,000. at the same rate (on about 12/22/82).

This in essance has Sharon S+L loaning M.S.D Associates the \$500,000. at 10% when they would have been paying 15%. ~~The~~ Sharon S+L is losing approximately \$25,000. per year for the remaining 4 years and 3 months of the loan term. Gibralter will break even on the loan except that as the p+I ~~pay~~ reduces the loan balance below \$500,000 then Gibratter will still have the entire \$500,000. loan or deposit from Sharon S+L so it will make a small amount of money. Sharon is clearly the loser in this transaction. What is being done here is Sharon S+L is ~~paying the~~ subsidizing the rate in the loan to MSD. associates ~~which~~ which is personally saving the officers, directors, employees and controlling persons of Sharon about \$25,000 a year at the expense of Sharon but to the ~~more~~ personal benefit of M.S.D.

12/7 — LeCompte will handle informally by requiring reversal of transaction J CC

2804

The persons at Sharon may be in violation of Section 2-405.1 (a)(2) of the Corporations and Association (See A.G opinion - 62 Op Atty Gen. 804(1977)) Also See ACT. 27 Section 132 Fraudulent misappropriation by fiduciaries.

This is certainly a breach of responsibility of a fiduciary (the directors). It may also violate FIA 9-323 or 9-307 and regulation 43.

Prepared By SF

Approved By

Gibralter E/C

9/30/83

ON 10/24/83 MRS DIANE White, Vice President of Gibralter stated to examiners J. [illegible] and K. Donnelly that as of yet, Gibralter has not received the $500,000. loan from Sharon S+L. I asked her what did Gibralter get in return for reducing the rate from 15% to 13% on the $500,000 loan to M.S.D Associates. Ms White stated that Sharon S+L now was obligated to lend Gibralter $500,000. at 10% interest per annum for 5 years. I asked [illegible] this was written and she stated that it was a verbal agreement. I asked if I could get something in writing to indicate that it was her understanding that Sharon S+L was to loan Gibralter $500,000 at 10% for 5 years. She gave me the attached memo (dated 10/24/83)

I then asked if she could get me something from Sharon S+L, preferably Mr Zell Hurwitz, that they were aware that they would loan, at a future date, to Gibralter $500,000. for 5 years of 10% interest and that this was in return [illegible] Gibralter S+L reducing the rate on the loan to MSD Associates from 15% to 13%. Ms White [illegible] [illegible] stated that the loan was marked care of (c/o) Zell HURWITZ and I had assumed that the deal was arranged with him. She stated that the agreement was arranged with Steven Hurwitz. She also said she didn't think Steve Hurwitz would give her a letter stating that the loan to Gibralter from Sharon S+L was in return for reducing the rate to MSD Associates because MSD is his loan. But she is sure she can get a letter stating that Sharon will lend Gibralter the $500,000 for 10% for five years.

Ms White did reconfirm that that was the arrangement but did not think she could get Sharon to put it in a letter. I stated that if the agreement was tied to the MSD loan I would like it stated in the letter. Ms White said she would try

2806

Prepared By [initials]
Approved By

Gibraltar Service Corporation
as of Sept 30, 1983

MSD Associates Loan

The examiner feels that we should have checked the CD's and Savings accts deposited in Gibraltar B/K in the name of Sharon S+L, Security S+L and Atlas S+L. This last procedure was not thought of until the day before the last day of the exam.

This was not done because the examiner was told by the office to just finish writing her comments + conclude the exam. That if anything else was needed she would be sent back or Supervision would request the information.

The examiner is recommending that someone from the office or some correspondence be sent to find out if Sharon S+L, Security S+L or Atlas S+L have any deposits in Gibraltar from Dec 1982 - Nov 1983.

III822

2807

Gibraltar Building and Loan Association

Comment 16:

A review of the loans in which the association has purchased a 50% interest from Severn Savings and Loan revealed that there is no participation agreement in the files.

Comment 17:

A review of the loan file supporting general ledger No. 12450 entitled "Loans Receivable - MSD Associates" revealed the following:

A. Gibraltar Services Corporation granted a $500,000.00 loan to MSD Associates for 5 years at 15% on March 19, 1982. On December 1, 1982, the association agreed to lower the rate to 10%. The association, by lowering the rate, granted to MSD Associates a below-market loan. The principals of MSD Associates are Mark, Steven, and David Hurwitz. The association is directed to furnish the Division with a detailed explanation as to why the rate on this loan was lowered from 15% to 10%.

B. A review of the minutes of Gibraltar Services Corporation and Gibraltar Building and Loan do not indicate approval for this rate modification.

C. There is no written modification in file for the rate reduction on the loan from 15% to 10%.

D. There is no purchase agreement or assignment of this loan from Gibraltar Services Corporation to Gibraltar Building and Loan.

Comment 18:

An analysis of the subsidiary mortgage loan records reflected the existence of 20 delinquent accounts as determined by the definition set forth in Regulation .01G. The outstanding balance of these accounts totaled $1,475,543.14 as of the date of the current examination, representing a delinquency ratio of 4.6% of the total mortgage loans outstanding. Delinquent and unpaid interest on the loans subject to comment totaled $128,270.69.

A review of the loans subject to comment scheduled on page 9 of this report revealed that 6 loans were subject to comment in the prior report of examination, 5 of which are more than 12 months delinquent as to interest.

This review also disclosed that loan Nos. 11-3656 and 11-3728 were reported because of a cumulative deficiency in the expense account of more than three months at the date of the examination.

Comment 19:

An analysis of the subsidiary mortgage expense accounts reflected that seventeen accounts had debit balances totaling $2,150.18 as of the date of the current examination.

The mortgagors' expense accounts should be reviewed and adjustments to the required payments should be made to compensate for the increased cost of taxes and insurance.

Comment 20:

An analysis of the mortgage escrow accounts revealed that if there is periodically an overage in the escrow account, the association does not at least annually give the borrower the option of receiving the refund of the overage, applying the overage to the payment of principal and interest or of leaving the overage in the escrow account as required by Section 12-109.1(b) of the Commercial Law Article. As well, this same section requires that if the borrower fails to notify the lender of his preference within 60 days, the lender shall return any overage to the borrower promptly. The association does not mail the overage to the borrower if the borrower does not request same.

IIIH23

Comment 16.

The participation agreement referred to in this comment was in the appropriate file before any funds were advanced and was available at the time of this examination.

Comment 17

The loan to MSD Associates received a short-term reduction in interest rate from 15% to 10% (which was consistent with a similar drop in prevailing mortgage interest rates) in return for an agreement with the borrower to repay this loan in full within 12 months, thereby substantially shortening the maturity of this originally 5-year loan. This loan has been, in fact, paid in full and the mortgage released.

Comment 18.

As of December 31, 1984, the Association had three loans (including loans in foreclosure) which were ninety days or more delinquent in payment. The outstanding balance of these loans was $646,269.22 and the unpaid interest on the loans was $49,022.96.

The status of the loans as of December 31, 1984 commented upon on Page 9 and referred to in Comment 18 is as follows:

Loan No.	Name	Status
11-3638	Holland	60 days
50-3485	Douglas	30 days
50-3692	Hicks	current
60-3767	Holland	closed
11-3186	Evans	closed
11-3506	Doran	closed
11-3509	Knoll	current
11-3591	Alexander	closed
11-3695	Hastings	foreclosed and subsequently sold property
48-3449	Lord Calvert	foreclosed and subsequently sold
48-3628	Sunfire	foreclosed and subsequently sold
48-3630	Sunfire	foreclosed and subsequently sold
48-3668	Riddleberger	foreclosed and subsequently sold
50-3745	Wayson	30 days
48-3761	Simpson	still delinquent
48-3639	Sachs	closed
11-3656	Vierling	current
11-3728	Keeler	current
48-3429	Sunshine	foreclosed and subsequently sold
48-3430	Sunshine	foreclosed and subsequently sold

At the time of examination the expense accounts relative to Loan Nos. 11-3656 and 11-3728 were delinquent because the Association made tax payments on behalf of the borrowers in order to protect its interests. The deficiencies in the expense accounts were subsequently paid by the borrowers.

Maryland Savings-Share Insurance Corporation

TO: Paul V. Trice, Jr.
Senior Vice President

FROM: Dean Digiondomenico
Financial Analyst

RE: Sharon/Security Savings and Loan

DATE: February 4, 1985

The books and records of Sharon Savings and Loan and Security Savings and Loan were reviewed as of November 30, 1984. The following items are noted:

A. FENWICK DEVELOPMENT CORPORATION:

The following loans from Sharon/Security to Fenwick Development Corporation are secured by Heron Harbor Mile, Ocean City, Maryland:

Loan	Date	Amount	Current Balance
78-8790	3/07/82	3,000,000	3,000,000
88-7487	3/27/82	2,000,000	2,000,000
88-7529	5/18/84	1,000,000	1,000,000
88-7556	10/01/84	1,250,000	1,250,000
		7,250,000	7,250,000

Portions of proceeds from loans 88-7487 and 88-7556 were used to pay off $1,700,000 in unsecured loans to the borrowers, and to pay interest on previous loans totalling $199,332.

October, 1984 progress reports on the 11 building project reveal the following:

	Total Cost	Complete	Remaining
Land Development	5,800,000	1,615,622	4,184,378
Construction	6,162,432	3,452,300	2,710,132
	11,962,432	5,067,922	6,894,510

Association loans-in-process for Fenwick total $3,829.71. Nearly $7,000,000 worth of expenditures will be needed to complete the project.

In December, 1984, ownership passed from Gerald S. Klein to Merritt Commercial Savings and Loan.

IIIH25

2810

B. WILLIAM SISKIND:

The following Sharon/Security loans were granted either to William Siskind, or to groups involving Mr. Siskind as general partner:

		Original Amount	Current Balance
Mortgage Loans			
~~68-7294~~ 4401 Joint Venture	3,500,000.00		3,500,000.00
69-8817 Hospitality House	2,494,776.70		2,266,114.17
69-8818 Pikesville Hotel	1,201,600.47		1,201,600.47
69-8819 Pikesville Hotel	300,000.00		300,000.00
20-8811 Aberdeen Assoc. L.P.	3,500,000.00		-0-
		10,996,377.17	
Share Loan		450,000.00	450,000.00
Unsecured Loans			
12 of which 5 remain open		1,109,014.00	443,267.30
		12,555,391.17	8,160,981.94

The succession of unsecured loans, together with extensions to loans 8817, 8818, and 8819, may indicate the inabilities of the various Siskind projects to generate enough income to be self-sufficient.

It is further noted that interest is due on the share loan for seven months, and that one of the unsecured loans, for $185,000 to Pikesville Hotel Ltd. Partnership, was due 12/29/84 and was still open at 1/25/85.

The loan to 4401 Joint Venture was settled by Siskind and Rosen. William Siskind is a general partner in 4401 Joint Venture, and therefore should not have been involved as settlement attorney.

C. HAMPTON ASSOCIATES LIMITED PARTNERSHIP:

On August 10, 1983, Security granted a $2,360,000 loan to Hampton Associates Limited Partnership secured by the Hampton Apartments in Towson.

Settlement checks indicate that Attorney Jeffrey A. Levitt, a general partner of Hampton Associates, L.P., made all settlement disbursements. In cases where an attorney acts as a borrower, the association should not use that attorney for loan settlement.

Borrower/settlement attorney Levitt received a $50,000 commission at settlement, acting as both payor and payee of the check.

$1,300,000 was paid to Sharon at settlement of the loan in repayment of an unsecured loan to the borrowers made August 4, 1983. There is no indication that any interest was paid on the unsecured loan. In addition, this loan repayment could not be located on the settlement sheet.

At the time of the Hampton loan for $2,360,000, Security Investment Corporation also purchased a note originated by the Savings Bank of Baltimore, on which Hampton Associates owed $913,561.46. In the fifteen months since the purchase of the note, no principal payments have been made, despite terms calling for monthly principal and interest payments.

It is also noted that no final title policy was located in the file for the Hampton Associates loan.

D. SCHWARTZ/ROSENTHAL:

On October 5, 1984, Sharon granted an unsecured loan for $500,000 to Joseph Schwartz and Marvin Rosenthal, with a 3 month term, at 8%.

All other unsecured loans granted by Sharon have had interest rates ranging between 11% and 18.75%. Furthermore, the association's cost of funds is over 10%.

E. LENDING:

Several cases were found where loan amounts exceeded the purchase price of Security property. Although appraisals may support loan amounts, this practice allows borrowers to receive loans with little or no capital contribution.

Loan	Loan Amount	Purchase Price	Loan/ Price	Appraised Value	Loan/ Appraisal
4401 Jt. Venture	3,500,000	2,635,000	133%	5,450,000	64%
PLL Assoc.	1,085,000	1,004,961	108%	1,356,692	80%
PLL Assoc.	1,024,000	971,514	105%	1,311,544	78%
New Oak Grove L.P.	2,750,000	2,250,000	122%	5,275,500	52%
Logan Village L.P.	1,200,000	925,000	130%	1,200,000	100%

F. ESCROW ACCOUNTS:

Security and Sharon pay an annual interest rate of 4% on escrow accounts. The Division of Savings and Loan Associations has taken exception to this rate in prior examinations, citing Section 12-109 of the Commercial Law Article.

G. ACCOUNTING:

1. At 11/30/84, Sharon's "consumer loans classified as a loss" per Division Regulation .49E totalled $58,480.23. Regulation .49E requires that the association establish and maintain a specific loss reserve in the amount of the loans classified as a loss.

2. Several variances were noted regarding the investments by Sharon and Security in subsidiary corporations. Balances per parent books did not equal balances on subsidiary ledgers. The audit firm of Glass and Associates is expected to bring all accounts into balance after completion of its annual audit, which is now in process.

H. PERIODIC PERFORMANCE REPORT:

1. Sharon lists 2 approved service corporations on the monthly report, but has investments in 4 service corporations.

2. Sharon and Security include GL 1090690 "Allowance for Loss M" in net worth on the MSSIC report, but consider this account as a contra-asset for financial statement reporting. The accounts had the following balances at 11/30/84:

Sharon - $597,599.39
Security - $692,336.36

$500,000 of the total for Security was established as a result of a loan purchase by MSSIC in 1980. Other additions to the accounts resulted from auditor's entries affecting unearned discounts and interest on loans.

Appendix to the Rpt of the Special Counsel on the Savings 46 of 52
& Loan Crisis (1986) Exhibits III H26-IV A 3, pp 2814-2881

This is how I'd like the headers to read.
Thanks

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package # 2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 1618 18th Street, Niagara Falls

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of one family as well as, two or more family homes. Lower middle to middle class area. Convenient to churches, schools, and shopping.

LEGAL DESCRIPTION: Liber 1641, Folio 216, part of lot 37, Miles Reserve and Lots 11-[illegible]

RECORDED DEED REFERENCE: Prudential Insurance Co. of America, recorded 4/6/60 and deed from Thomas J. Meranto and Angeline, his wife and Ralph Meranto recorded 3/23/79.

LOT SIZE: 200 X 22[illegible] = 44,000 sq. ft.

BUILDING SIZE: [illegible] X 167.4[illegible] = [illegible],140 sq. ft.

PARKING SPACES: (approximate) 11[illegible] cars

LAND VALUE: $45,000.00

BUILDING VALUE: [illegible]

TOTAL: [illegible]

TOTAL VALUE [illegible] DIVIDED BY CAPITALIZATION RATE 16% = $187,[illegible]47.9[illegible].

IIIH26 2811

[illegible] H. Hudson, CA-S, CRA

A5116[illegible]

PHOTOGRAPH ADDENDUM

Borrower/Client Edwin Lax
Property Address 1618 18th Street
City Niagara County State New York Zip Code
Lender Old Court Savings & Loan, Inc., 25 Light Street, Baltimore, Maryland 21202

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE

2815

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package #2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 2406 South Park Avenue, Buffalo at Aldrich

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of a well established stable area. Single and two family homes ranging in value from $30,000. to $35,000. Convenient to churches, schools, and shopping.

LEGAL DESCRIPTION: Part of Lot 263, T. 10, R. 7, Buffalo Creek Reservation

RECORDED DEED REFERENCE: Easement by Niagara Frontier Services, Inc. to Niagara Mohawk Power Corp. and New York Telephone Co. recorded 5/11/82. Liber 9121, page 644.

LOT SIZE: 128.29 X 155.60 = 19,962 sq. ft.

BUILDING SIZE: 63.4[illegible] X 43.40 = 2,752 sq. ft. #17.3[illegible]

PARKING SPACES: (approximate) 57 cars

LAND VALUE: $16,758.00

BUILDING VALUE: $49,155.00

TOTAL: [illegible]

TOTAL VALUE X RENTAL 15% DIVIDED BY CAPITALIZATION RATE 10% = $88,[illegible].55.

2816 [illegible signature]
Robert H. Hudson, CA-S, CRA

PHOTOGRAPH ADDENDUM

Borrower/Client	Edwin Lax
Property Address	2406 S. Park Avenue at Aldrich Place
City	Buffalo
County	
State	New York
Zip Code	
Lender	

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE

FW 439E

2817

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package # 2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 1055 Walden Avenue, Cheektowaga

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of a commercial area near a resident sub-division with single family and two family homes ranging in value form $30,000. to $40,000. Middle class areas; predominantly Polish people. Two homes were razed to build store.

LEGAL DESCRIPTION: Part of Lot 33, T. 11, R. 7, Holland Land Co.

RECORDED DEED REFERENCE: 5/25/83 (Survey)

LOT SIZE: 150 X 150 = 22,500 sq. ft.

BUILDING SIZE: 66 X 41.50 = 2,739 sq. ft.

PARKING SPACES: (approximate) 66 cars

LAND VALUE: $60,000.00

BUILDING VALUE: $141,475.00

TOTAL: $201,475.00

TOTAL VALUE X RENTAL 13½ DIVIDED BY CAPITALIZATION RATE 10% = $271,991.25.

Robert H. Hudson, CA-S, CRA

2815

A2064

PHOTOGRAPH ADDENDUM

Borrower/Client	Edwin Lax
Property Address	[illegible] Walden Avenue Cheektowaga
City	Buffalo
County	
State	New York
Zip Code	
Lender	Old Court Savings & Loan, Inc., 25 Light Street, Baltimore, Maryland 212[illegible]

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE

FW 4395

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package #2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 2761 Harlem Road, Cheektowaga

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of a commercial area near a single family area with homes ranging in value from $45,000. to $55,000. Middle class area; predominantly Polish and German.

LEGAL DESCRIPTION: Subdivision lots 345, 346, and 347, Cover 1496, Part of lot 25, T. 11, R. 7, Holland Land Co.

RECORDED DEED REFERENCE: Easement by Thaddius F. Pawlicki to New York Telephone Co. and Buffalo Niagara Electric Corp. recorded 12/9/47. Liber 4242, Page 572.

LOT SIZE: 90 x 125 = 11,250 sq. ft.

BUILDING SIZE: 68 x 43.40 = 2,951 sq. ft.

PARKING SPACES: (approximate) 28 cars

LAND VALUE: $53,[illegible]

BUILDING VALUE: $[illegible],217.00

TOTAL: $1[illegible],217.[illegible]

TOTAL VALUE X RENTAL [illegible] DIVIDED BY CAPITALIZATION RATE [illegible] = $164,992.95.

A80650

2820 Robert H. [illegible], CA-S, CPA

PHOTOGRAPH ADDENDUM

Borrower/Client	Edwin Lax
Property Address	2761 Harlem Road Cheektowaga
City Buffalo	County State New York Zip Code
Lender	Old Court Savings & Loan, Inc., 25 Light Street, Baltimore, Maryland 21202

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE

FW 439E

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package #2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 2620 Niagara Street, Niagara Falls at 27th Street

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of single family and some two family homes. Established and stable area. Convenient to churches, schools, and shopping.

LEGAL DESCRIPTION: Part of lot 4; sub lots 14, 16, 18, 20, 22, 24; Cover 103

RECORDED DEED REFERENCE: Survey Map #31603 by Bissell Merrill and Associates dated 12/23/74.

LOT SIZE: 110.81 X 112 = 12,320 sq. ft.

BUILDING SIZE: 68 X 43 = 2,924 sq. ft.

PARKING SPACES: (approximate) 31 cars

LAND VALUE: $17,[illegible]0.00

BUILDING VALUE: $72,578.[illegible]

TOTAL: $89,578.

TOTAL VALUE X RENTAL [illegible]% DIVIDED BY CAPITALIZATION RATE 10% = $12[illegible],930.30.

2822

Robert H. Hudson, CA-S, CRA

PHOTOGRAPH ADDENDUM

Borrower/Client	Edwin Lax
Property Address	2020 Niagara Street at 27th Street
City	Niagara
County	
State	New York
Zip Code	
Lender	Old Court Savings & Loan, Inc., 25 Light Street, Baltimore, Maryland 21202

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE

2823 A5653

FW 439E

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

APPRAISAL REPORT DATED JUNE, 1983

Wilson Farms Food Stores
Niagara Frontier Services, Inc.
New York

Package #2 - PLL Owned
Sharon Savings & Loan to PLL Associates

The appraiser's determination is as follows:

LOCATION: 115 Broad Street, City of Tonawanda at Seymour Street

NEIGHBORHOOD DESCRIPTION: Neighborhood consists of residential/commercial area with a small percent of unemployment. Polish and Irish descents. Good area of blue collar workers. Near churches, Catholic schools, and shopping. County known as Erie County.

LEGAL DESCRIPTION: Liber 9112, Page 161, Part of lot 84, Subdivision lot 140, part of 139, Block #2

RECORDED DEED REFERENCE: Mortgage by Larry A. Glaser & Lawrence M. Hankin to John H. Erhart recorded 10/26/78; Liber 8089, page 207. Modification agreement between Niagara Frontier Services, Inc. with John H. Erhart, recorded 3/30/82. Liber 9112 page 157.

LOT SIZE: 92 X 132 = 12,144 sq. ft. 7.41

BUILDING SIZE: 67.45 X 42 = 2,833 sq. ft.

PARKING SPACES: (approximate) 31 cars

LAND VALUE: $90,000.00

BUILDING VALUE: $135,1[illegible].00

A5[illegible]

TOTAL: $225,1[illegible]

TOTAL VALUE X RENTAL 1[illegible]% DIVIDED BY CAPITALIZATION RATE 10% = $303,885.00.

28[illegible]1

Robert H. Hudson, CA-S, CRA

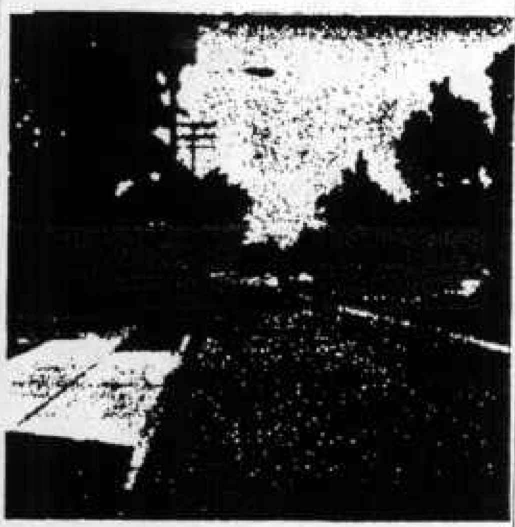
PHOTOGRAPH ADDENDUM

Borrower/Client Edwin Lax
Property Address 115 Broad Street at Seymour Street
City Niagara County State New York Zip Code
[illegible] Court Savings & Loan, Inc., 25 Light Street, Baltimore, Maryland 21202

FRONT OF
SUBJECT PROPERTY

REAR OF
SUBJECT PROPERTY

STREET SCENE



2825 A56655

4 439E

BANKERS' APPRAISAL SERVICES INC.

914 N. Charles St.
Baltimore, Maryland 21201

(301) 576-8528

QUALIFICATIONS OF APPRAISER

Robert H. Hudson

MEMBER:

National Association of Review Appraisers and Mortgage Underwriters-CRA, RMU
Associate Member of Society of Real Estate Appraisers
National Association of Independent Fee Appraisers - IFA
Charter Member - American Association of Certified Appraisers - CA-S
National Association of Realtors - NAR
Maryland Board of Realtors
Greater Baltimore Board of Realtors
Maryland Real Estate Commission
Employee Relocation Council (E-R-C)
Maryland Mortgage Bankers Association, Inc.

EDUCATION:

Bridgewater College	1951-1954
Johns Hopkins University - Principles of Real Estate	1961-1962
Johns Hopkins University - Real Estate Management	1962-1963
Johns Hopkins University - Real Estate Appraisal I	1962-1963
University of Maryland - Elective Courses	1960-1961
Appraisal Seminars & Lectures	1965-Present
Real Estate Seminars & Lectures	1965-Present
Licensed Salesman	1965
Real Estate Board - Continuing Education Course	1979

BACKGROUND:

Maryland National Bank - Income Tax Consultant	1957-1960
Maryland National Bank - Asst. Trust Real Estate Officer	1960-1965
Donald E. Grempler Realty, Inc. - Appraising & Brokerage-V.P.	1965-1971
McCurdy-Lipman & Associates-Real Estate Appraiser & Consultant	1971-1974
Independent Fee Appraising	1975-1982

I have made appraisals for:

Banks, Savings & Loans, Corporations, Mortgage Insurance Companies, Private Individuals, Federal Home Loan Bank, State of Maryland, Attorneys, and Governmental Agencies.

Level 1 FNMA approved - number is recorded. [illegible]

Comment 2 B.   MSDL Partnership

During the period August 11, 1983 through November 18, 1983, the association granted three loans totaling $3,270,000 to MSDL Partnership. The loans are secured by stores leased to a convenient store chain in the Buffalo Region of New York State.

The partnership comprises of David, Stephen and Mark Hurwitz, and Edwin Lax.

The loans are 11% fixed rate, 25-year loans with a 3% service fee.

The following areas of concern were noted:

A. Two sets of appraisals for the same properties were made available. Both were signed by Robert H. Hudson and dated one day apart. Mr. Hudson is the Executive Vice President of Bankers Appraisal Service, Inc. A wholy-owned subsidiary of an association's service corp.

The loan-to-appraisal ratios were:

Loan No.	Appraisal Dated 5/24/83	Appraisal Dated 5/25/83
4621	90%	82.5%
4734	94.9%	88.6%
4787	87.4%	79.8%

The loan-to-value exceed the 80% limitation set forth in Regulation .30C(4)(b).

B. The stores are under individual 25-year leases. Generally accepted appraisal guidelines would require the income approach be used in performing the appraisal.

C. The appraiser used a cost method, but did not support his values as required by Regulation .23B.

D. The loan is a submarket rate loan.

E. None of the loan files contained applications, or settlement sheets as required by Regulation .29A(2)(a) and (c).

F. Loan file No. 4734 did not contain a certificate of title as required by Regulation .29A(2)(e).

G. An original mortgage for 4734 was not in file as required by Regulation .29A(2)(f).

RECEIVED
NOV 15 1985
OFFICE OF
THE SPECIAL COUNSEL

STATE OF MARYLAND	*	IN THE CIRCUIT COURT
VS.	*	FOR BALTIMORE COUNTY
FRANCIS T. PEACH, JR.	*	CASE NO. 83 CR 3200

* * * * * * * * *

MEMORANDUM OF PLEA NEGOTIATIONS AND STATEMENT OF FACTS

It is hereby agreed by and between the State of Maryland by Barbara Poklis-Lewis, Assistant State's Attorney for Baltimore County, and the Defendant, FRANCIS T. PEACH, JR., with advice of his counsel, Russell White, Esquire and Charles Fisher, Jr., Esquire, that:

The Defendant, FRANCIS T. PEACH, JR., will tender a Guilty Plea under North Carolina v. Alford to the First and only Count of the indictment in Criminal Number 83 CR 3200 which charges him with Fraudulent Misappropriation by a Fiduciary under Article 27, Section 132 of the Annotated Code of Maryland. Upon the Court's acceptance of the Guilty Plea, with regard to sentencing, the State will make no specific recommendation as to sentencing. However, the State reserves the right to object to and argue against disposition of this case under Article 27, Section 641, Probation before Judgment. The State will also comment that because it is making no specific recommendation, as to sentencing, it does not object to a suspended jail sentence. Further, the State is asking that restitution be ordered to Liberty Savings and Loan Association, Inc., in the amount of $75,630.00, and the State reserves the right to argue for the restitution and how it is to be paid.

STATEMENT OF FACTS

It is hereby agreed by and between the State of Maryland and the Defendant, FRANCIS T. PEACH, JR., that the following facts are true, accurate and complete, and form the factual basis for his Guilty Plea:

Liberty Savings and Loan Association, Incorporated (hereinafter referred to as "Liberty"), a corporation licensed to do business in the State of Maryland, is located at 9337 Liberty Road in Baltimore County. The function of Liberty, as well as all Savings and Loans, is to provide a safe place for persons to keep their monies and, at the same time, earn interest on their savings. Is is the responsibility of the Board of Directors and officers of a Savings and Loan to securely invest depositors' monies in order to earn the highest return. One of the methods utilized to earn profits for the Savings and Loans, as well as the depositors, is for the Savings and Loans to lend monies for real estate development and home construction. Liberty does, in fact, make numerous loans to construct homes and develop raw land into housing subdivisions.

In order to protect the depositors' monies, the Maryland Department of Licensing and Regulation, Savings and Loan Division, has established regulations to be adhered to by the Savings and Loan industry. One such regulation requires that when a home builder or land developer is granted a loan to construct or develop real estate, the entire loan proceeds are not disbursed at settlement. Rather, the loan proceeds are placed in a trust, (Loan in Process) account, at the Savings and Loan. Upon completion of a certain stage of development and construction, and upon a bona fide inspection of said development or construction by a designated Savings and Loan representative, portions of the loan proceeds are released to the borrower. The disbursements, or draws, are to be previously agreed upon by the borrower and lender in a CONSTRUCTION LOAN AGREEMENT signed by both at or before settlement of the loan. Adherence to this regulation ensures that no monies are released from the account until secured by improvements to the property. Liberty, as a chartered Maryland Savings and Loan, was governed by these regulations.

During the calendar year 1981 and before, FRANCIS T. PEACH, JR., the Defendant, was a Director for Liberty and, as such, owed a fiduciary duty to the depositors of Liberty, who were in effect the owners of the association. At Liberty, the Defendant's responsibilities included managing the day-to-day operations of the association. He was also responsible for recommending and overseeing real estate loans made by Liberty, but with ultimate loan approvals putatively being done by a majority vote of the Board of Directors. However, the Defendant was the only Director with any working knowledge of real estate matters; therefore, the members of the Board of Directors deferred to the Defendant's judgment as it involved Liberty in real estate matters. The Defendant's duties at Liberty also included supervising the real estate trust, (Loan in Process) accounts set up by Liberty. As such, the Defendant was responsible for authorizing disbursements from these accounts to the borrowers.

At the same time that the Defendant was a Director of Liberty, he was also the owner of Peach and Company, a real estate firm operating out of Eldersburg, Maryland. Through Peach and Company, the Defendant formed real estate ventures to construct homes and develop unimproved land, in addition to selling existing homes. Many of these ventures created by the Defendant resulted in parties to the venture obtaining construction and development loans from Liberty, and through management agreements between the Defendant and the borrowers, the loan proceeds would come under control of the Defendant once they had been disbursed from Liberty, under the Defendant's authority as the Managing Director of Liberty.

An examination by the Maryland Department of Licensing and Regulation, Savings and Loan Division, conducted as of June 30, 1981 and January 30, 1982 revealed that the rate of disbursement from the Loan in Process accounts in many of the ventures created by the Defendant greatly exceeded the amount of work actually done on the construction or development project. These over-disbursements were accomplished by the Defendant authorizing the Officer Manager of Liberty, Linda Nusinov, to release funds by check to the borrowers.

Subsequent investigation by the Baltimore County Police Department and the Baltimore County State's Attorney's Office, Investigations Division, revealed that the Defendant gained control of these over-disbursements through the previously described management agreements with the borrowers. It was learned that through Peach and Company, the Defendant was acquiring other real estate agencies in an attempt to expand Peach and Company operations. 2831

Because of the strained financial conditions pervasive in the real of $50,000.00 per month, according to Bernard Smullian, his accountant, thus necessitating an enhanced cash flow. The Defendant used the funds from the construction and development accounts to offset his financial deficits in Peach and Company and to salvage projects in which he personally, or as the owner of Peach and Company, had a financial interest.

Between January 15, 1981 and December 30, 1981, the Defendant fraudulently, willfully, and intentionally misappropriated and used for purposes not in the due and lawful execution of his trust, $816,704.24 which came into his hands as a Director (Fiduciary) of Liberty, said monies held in trust by Liberty.

An in-depth outline delineating and exemplifying the Defendant's misappropriation is attached hereto and incorporated herein by reference as if set forth in full as "Addendum 1". (Note that in the outline, FRANCIS T. PEACH, JR., is the Defendant.)

The outline shows that the Defendant caused the creation of three construction loans to Richard B. Bockmiller and Sons, Inc. Bockmiller and his wife, Joan, were long-time close friends of the Defendant and his family. In addition, Joan was employed by the Defendant as his private secretary for Peach and Company. The personal relationship between the Bockmillers and the Defendant involved a great deal of trust; the Defendant had included the Bockmillers in several business ventures, and the Bockmillers relied heavily upon the Defendant's judgment.

The first of the three loans in question occurred in January of 1981 when the Defendant approached Bockmiller and told him that he owned some parcels of land and wanted Bockmiller to construct houses on them. A deal was struck whereby Bockmiller agreed to purchase two lots from the Defendant (the lots were actually owned by a partnership called Peach-Mill ~~[illegible]~~ of which the Defendant owned 75%), and Bockmiller would get a loan from Liberty to purchase the lots and construct the houses for the Defendant. Bockmiller would oversee the construction of the houses and would receive a fee of 5% of costs.

However, Bockmiller's company name, Richard B. Bockmiller and Sons, Inc. would actually go on the loan, with Bockmiller and his wife as personal guarantors of the loan. The Defendant asked Bockmiller for this arrangement because the Defendant could not get the loan directly from Liberty himself because of Maryland Savings and Loan Regulations.

On January 15, 1981, Richard B. Bockmiller and Sons, Inc. received a construction loan of $240,000.00 from Liberty ($120,000.00 per lot). After land purchase and settlement costs, $190,200.00 was placed into two Loan in Process accounts at Liberty, $95,100.00 for Lot 20 Avis Court, and $95,100.00 for Lot 21 Avis Court. (It should be noted that Bockmiller did not fill out a loan application for this loan.)

Because of the trust that had developed over the years between the Bockmillers and the Defendant, and for the reasons cited above, Bockmiller allowed the Defendant to control the loan proceeds once they were disbursed to Bockmiller. This meant that the Defendant was supposed to use the loan proceeds to pay the subcontractors, once the money was disbursed from Liberty, according to the draw schedule incorporated in the Construction Loan Agreement that Bockmiller signed when he received the loan.

Investigation revealed that on January 19, 1981, four days after settlement, the Defendant authorized Linda Nusinov to issue two checks from Liberty to Richard B. Bockmiller and Sons, Inc. from the Loan in Process accounts of Lots 20 and 21 Avis Court, in the amount of $61,815.00 ($42,795.00 from Lot 20 and $19,020.00 from Lot 21). This would have meant that according to the draw schedule, the house on Lot 20 would have had the foundation in place, first floor joists in place, subfloor installed and location survey furnished to Liberty, the house frame erected, windows installed, roof applied, and interior partitions set. The house on Lot 21, according to the draw schedule, would have had the foundation in place, first floor joists in place, subfloor installed, and location survey furnished to Liberty. Richard Bockmiller would testify that on this date, work had not been completed to these points.

Investigation revealed that the $61,815.00 was deposited on January 19, 1981 into a checking account entitled P.M. Building which was an account set up by the Defendant for the construction of houses in the subdivision where Avis Court is located. Joan V. Bockmiller, as the Defendant's private secretary, was a signatory on this account under the Defendant's authority. Investigation further revealed that on this same date, Joan, at the Defendant's direction, issued a check to the Defendant for $60,000.00 from this account. The check was endorsed in the name of the Defendant and deposited into his personal account entitled Peach-Avis. Investigation further revealed that this money was not used for the construction of houses on Lots 20 and 21 Avis Court, in accordance with the loan agreement between Liberty and Bockmiller. Instead,

2831 A73726

it was used to cover expenses of the Defendant and Peach and Company in other business transactions.

On three other occasions, between January 27, 1981 and March 16, 1981, the Defendant used funds from this account in the same manner. As a Director of Liberty, he would cause Linda Nusinov to issue checks to Richard B. Bockmiller and Sons, Inc. which were deposited to the P.M. Building account. He then directed Joan Bockmiller to issue checks from this account to him for deposit in the Peach-Avis account, which was, again, his personal checking account. This money should not have been disbursed from Liberty because the houses were not completed to that point, according to the draw schedule, and it was not used for the construction of houses on Lots 20 and 21 Avis Court. It was used instead to increase the balance in the Peach-Avis account to pay the Defendant's personal expenses, the expenses of other business interests, and the expenses of Peach and Company.

Between January 15, 1981 and March 16, 1981, a total of $161,800.00 was over-disbursed and misappropriated by the Defendant from this loan. An additional $10,000.00 ($5,000.00 from each account) was over-disbursed from this loan and misappropriated by the Defendant in July, 1981, bringing the total amount misappropriated by the Defendant from this loan to $171,800.00.

On April 20, 1981, Richard B. Bockmiller and Sons, Inc., received another loan (one of the three mentioned above) from Liberty of $360,000.00 to construct six houses on lots in the Hickory Ridge subdivision located in Carroll County. After lot purchase and settlement costs, $255,060.16 was placed in six Loan in Process accounts with $42,510.03 in each account. A Construction Loan 283
Agreement with a draw schedule for each lot was signed by Bockmiller.

Again, Bockmiller allowed the Defendant to control the loan proceeds once they were disbursed from Liberty.

An examination by the Maryland Department of Licensing and Regulations, Savings and Loan Division, conducted in January, 1982, revealed that over $111,000.00 had been over-disbursed by the Defendant from these Loan in Process accounts at Liberty. This was determined by comparing the amount of funds left in the Loan in Process accounts and the amount of funds disbursed from the accounts, with the amount of work actually completed on the houses.

Investigation by the Baltimore County Police Department and the Baltimore County State's Attorney's Office revealed that on April 29, 1981, nine days after settlement, the Defendant authorized Linda Nusinov to issue a check to Richard B. Bockmiller and Sons, Inc. from this loan in the amount of $75,538.08, representing draws one and two on each house (Richard B. Bockmiller would testify that the houses were not completed through draw two at this time). The check was deposited in the Bockmiller Company checking account which was controlled by the Defendant on April 30, 1981. On this same date, the Defendant authorized Joan Bockmiller to issue a check from this account to himself in the amount of $50,000.00 and deposited it into his personal checking account (Peach-Avis). The Defendant then directed Joan Bockmiller to write a check on the Peach-Avis account to Equitable Trust for $51,889.77. The balance in the Peach-Avis account before the $50,000.00 deposit on this date was $1,172.42.

2836 473728

In July, 1981, the Defendant authorized another disbursement of funds from the Hickory Ridge Addition Loan in Process accounts, as well as from two other Richard B. Bockmiller and Sons, Inc. Loan in Process accounts. The check totalled $81,778.00, ($57,702.00 of which was from the Hickory Ridge Addition loan). The check was deposited into Bockmiller's company account on July 15, 1981. On July 16, 1981, the Defendant authorized Joan V. Bockmiller to issue a check to himself in the amount of $75,000.00 from this account and deposit it into his Peach-Avis account. This deposit was used to offset a check written on the Peach-Avis account written by Joan Bockmiller at the Defendant's direction on July 7, 1981 for $77,527.78 to First National Bank of Maryland which was a payment on notes. The balance in the Peach-Avis account when this check was written was $2,801.70.

A total of $107,702.00 was misappropriated by the Defendant from this loan.

The third construction loan in question was received by Richard B. Bockmiller and Sons, Inc. from Liberty on October 16, 1981 and was for $400,000.00 for five houses ($80,000.00 per house) to be constructed in a subdivision known as Oklahoma Estates located in Carroll County. After lot purchase and settlement costs, $270,830.00 was placed into five Loan in Process accounts, one for each lot, ($54,166.00 each). As with the other loans, Bockmiller allowed the Defendant to control the loan proceeds. On October 28, 1981, the Defendant authorized Rita Wakefield, another Liberty employee, to issue a check in the amount of $84,207.30 to Richard B. Bockmiller

2837 473729

and Sons, Inc., representing the completion of work on these houses through draw two on the schedule. Bockmiller would testify that on this date these houses were not completed through draw two on the schedule. The check was endorsed and deposited in the Bockmiller account.

On this same date, the Defendant approached Bockmiller and asked him to loan him (the Defendant) $25,000.00 of the loan proceeds for Peach and Company. Because of their past relationship, Bockmiller complied and wrote Peach and Company a check for $25,000.00. The check to Peach and Company was used to cover $23,963.12 in List Post Checks that represented expenses of Peach and Company. The money was not used for the construction of houses on the five lots in Oklahoma Estates.

On November 2, 1981, some five days later, the Defendant authorized Linda Nusinov to issue a check to Richard B. Bockmiller and Sons, Inc. in the amount of $42,103.65 for the completion of draw three on each of the five houses. The houses were not completed through this draw on this date. The check was deposited into the Bockmiller company account. On this same date, the Defendant authorized Joan V. Bockmiller to issue a check to himself from this account for $42,000.00 and deposit it into the Peach-Avis account. This check was used to cover other checks written on the Peach-Avis account for personal and business expenses of the Defendant. A total of $67,000.00 was over-disbursed and misappropriated by the Defendant from this loan.

Two land development loans created by the Defendant also had funds misappropriated by the Defendant. One was the Emrob Land Company which was a partnership organized by the Defendant to purchase and develop lots in two subdivisions known as the Village of Peachwood and the Village of Bachman in Carroll County. The Partnership was comprised of Saied Jacobs (8-1/3%), Elyahou Toufighkhah (16-2/3%), Jacob Land Development Company (25%), Frederick Terry (25%), and Louis Greenberg (25%). The Partnership borrowed a total of $594,000.00 to purchase these lots and to develop them. Additionally, the Partnership signed a management agreement with the Defendant as Peach and Company giving the manager full authority to conduct all business and affairs of the Partnership, including opening a checking account which was to be used only for deposit and withdrawals relating solely to the Partnership. The loan was received on April 29, 1981. After settlement, the loan funds were placed in two Loan in Process accounts entitled Village of Bachman ($260,000.00) and Village of Peachwood ($234,000.00). The funds were to be disbursed as the land was developed.

Between May 8, 1981 and December 9, 1981, the Defendant over-disbursed and misappropriated $140,800.00 from this loan. This was accomplished in the same manner as the Bockmiller loans. That is, the Defendant authorized Linda Nusinov to issue checks from the Loan in Process accounts to the Emrob Land Company which were then deposited into the Emrob checking account. The Defendant then directed Joan Bockmiller to issue checks from this account to either the Defendant's personal or business accounts to either cover deficits in those accounts or to pay the Defendant's personal or business expenses. Also, in one instance, the Defendant authorized Joan Bockmiller to issue a check from the Emrob Land Company to Peach and Company for $25,000.00 for a commission from Emrob. Paragraph F of the Management Agreement signed by the Emrob Partners and the Defendant, provides, that the Manager (Peach and Company) shall be entitled to 10% of the gross sales price of each lot when sold. When this check was written, Emrob had not sold any lots entitling Peach & Company to a fee.

The other land development loan that had funds misappropriated by the Defendant was to the Melstone Valley Partnership, another real estate venture put together by the Defendant. Melstone Valley Partnership was a partnership of Jacob Land Development Company, Inc. (this company is owned by Saied Jacobs and his family), Alvin Blank, First Liberty Service Corporation (a wholly-owned subsidiary of Liberty Savings and Loan Association), and Melvin Leberman, each partner having a 25% interest. The Partnership also had a management agreement with the Defendant through Peach and Company that was identical to the one described in the Emrob loan. On May 13, 1981, the Partnership received a loan from Liberty of $700,000.00 for the acquisition and development of a parcel of land in Carroll County to be known as Melstone Valley. After land purchase and settlement costs, $322,104.24 remained. Instead of putting this into a Loan in Process account at Liberty, which would be the normal procedure, the Defendant authorized Linda Nusinov to establish a savings account in the name of Melstone Valley Partnership with the Defendant and Joan Bockmiller as signatories. The account obligated Liberty to pay 15% interest per month. This 15% interest offset the 15% interest the Partnership would have to pay, because the loan proceeds were no longer under the control of Liberty (and therefore interest was due each month). By placing these loan proceeds in this account and taking them out of control of Liberty, the Defendant misappropriated this entire amount. It could now be used for purposes other then those for which the loan was made. The property was ready to be developed, and other than demanding compliance with County requirements of having certain documents on file, Carroll County did nothing to hinder this development. However, the property was not developed.

Instead, between September 1981 and December 1981, the Defendant used $249,722.40 of this money to cover deficits in his personal checking account, and that of Peach and Company, that occurred when he wrote checks from these accounts to pay personal and business expenses. Through Joan Bockmiller, under the Defendant's direction, withdrawals were made from Melstone's savings account and deposited to its checking account. Check were then written to the Peach-Avis account, the Peach and Company account, or in several instances, directly to other business interests of the Defendant.

One such interest was the Oklahoma Land Company of which the Defendant owned a 50% interest. Oklahoma Land Company was developing lots in the subdivision known as Oklahoma Estates. Oklahoma Estates is contiguous with Melstone Valley. $70,000.00 of the Melstone loan was deposited to the Peach-Avis account to cover a deficit that occurred when a check was drawn on Peach-Avis to Peach and Company for $150,000.00 payment to the person from whom the parcel of land for Oklahoma was purchased. Additionally, on December 30, 1981, the Defendant himself signed withdrawal applications for funds from the Melstone account, totalling $59,722.40. The Defendant then authorized Linda Nusinov to issue two checks drawn on Melstone's checking account. One check in the amount of $43,125.00 went to the Carroll County Commissioner on behalf of the Oklahoma Land Company for water and sewer inspection, and the other check in the amount of $16,597.40 was also payable to the Carroll County Commissioner for inspection of road, storm drains, water and sewage plans in the same development. The Melstone Valley Partnership had no interest in Oklahoma Estates; in fact, they would have been in competition with each other.

Although much of the misappropriated $816,704.24 which came into the Defendant's hands as a Director (Fiduciary) of Liberty, was eventually recovered either by the Defendant replacing same or by Liberty initiating foreclosure proceedings and selling the properties, $75,680.00 in loan principal has never been recovered. Additionally, Liberty Representatives compute (and have supplied to the State the figures) that the loss of interest on the loans, the costs of carrying the dormant properties, and other related costs caused a loss of revenue to Liberty in the calendar year 1981 of $563,534.73. This loss is ~~directly~~ allegedly attributable to the Defendant's actions.

FRANCIS T. PEACH, JR.
Defendant

BARBARA POKLIS-LEWIS
Assistant State's Attorney for
Baltimore County

RUSSELL J. WHITE, ESQUIRE
Attorney for Defendant

A737237

2842

"ADDENDUM 1"

<u>SUMMARY OF TRANSACTIONS</u>

State vs. Francis T. Peach Jr.

47372

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-390 81-391 1/15/81	Richard B. Bockmiller & Sons, Inc.	Lots 20 & 21 Avis Court, Peach Mill	$240,000 ($120,000 each lot)	1/19/81 - FTP, Jr. caused Linda Nusinov to issue two checks from Liberty Savings & Loan to R.B. Bockmiller & Sons, i.e..... #9629 - $42,795.00 #9630 - 19,020.00 $61,815.00 Both checks endorsed Richard B. Bockmiller & Sons, Inc., P-M Bldg. for deposit only 520-0863-7 and deposited to P-M Building account at First National Bank by Joan V. Bockmiller.	
				1/19/81 - Joan V. Bockmiller issued check #1 for $60,000.00 to Francis T. Peach, Jr. from P-M Bldg. account 520-0863-7; endorsed Francis T. Peach, Jr. for deposit only to Peach-Avis 629-0947-8 at Equitable Trust Company. $60,000.00 deposit to Peach-Avis was used to cover following debits to that account:	$60,000.00

check #2008 to Peach-Nichols	$8,300.00	clearing 1/20/81
check #2009 to Oklahoma Land	8,200.00	clearing 1/28/81
check #2011 to Carroll Assoc.	3,806.50	clearing 2/06/81
check #2042 to Peach Mill Houses	30,500.00	clearing 1/20/81
check #2058 to Peach & Co.	10,000.00	clearing 1/27/81
check #2060 to Peach Mill Houses	19,000.00	clearing 1/29/81
check #2040 to Richard B. Bockmiller & Sons	21,000.00	clearing 1/19/81

check #2040 dated 1/19/81 to Richard B. Bockmiller & Sons, Inc. for $21,000.00 was deposited to Richard B. Bockmiller & Sons, Inc. T/A Waymar Homes Acct. No. 629-0985-6 at Equitable Trust Company entered as loan from F.T.P. Jr. this account also reflects a loan to Francis T. Peach, Jr. dated 1/11/81 for $31,000.00 which check was deposited to Peach-Avis Acct. 629-0947-8

check #2040 for $21,000.00 signed by Francis T. Peach on 1/19/81 was used by Richard B. Bockmiller & Sons, Inc. to cover their check to Peach for $31,000 deposited on 1/16/81 which had been returned on 1/12/81 for insufficient funds in Bockmiller account.

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-390 81-391 1/15/81	Richard B. Bockmiller & Sons, Inc.	Lots 20 & 21 Avis Court Peach Mill	$240,000 ($120,000 each lot)	1/27/81 - FTP,Jr. caused Linda Nusinov to issue check #9681 from Liberty Savings & Loan to Richard B. Bockmiller & Sons, Inc. for $23,625; check endorsed "for deposit only Acct. #520-0863-7," P-M Building account at First National Bank on 1/27/81;	
				1/27/81 - Check #2 on P-M Building acct. 520-0863-7 issued to Francis T. Peach, Jr. for $25,000.00, signed by Joan V. Bockmiller, endorsed Francis T. Peach, Jr. Peach-Avis for deposit only 629-0947-8; deposited on 1/27/81 - "Loan from Peach-Mill Bldg. Co." noted on deposit slip.	$25,000.00
				1/27/81 - Check #2062 issued to Peach & Company, Inc. for $21,000.00 drawn on Peach-Avis and signed by Joan V. Bockmiller - endorsed for deposit only to Peach & Co. acct. 062-9947-1 Remaining $4,000 of $25,000 check from P-M Building was used to cover a number of small checks drawn on Peach-Avis.	

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-390 81-391 1/15/81	Richard B. Bockmiller & Sons, Inc.	Lots 20 & 21 Avis Court Peach Mill	$240,000 ($120,000 each lot)	2/5/81 - FTP,Jr. caused Linda Musinov to issue two checks from Liberty Savings & Loan to Richard B. Bockmiller & Sons, Inc., i.e..... #9828 - $14,115.00 #9830 - 14,265.00 $28,380.00 Both checks endorsed Richard B. Bockmiller & Sons, Inc., Peach Mill Bldg. for deposit only 520-0863-7 and deposited to that acct. at First National Bank 2/6/81;	A17335
				2/6/81 - Joan V. Bockmiller issued check #3 on P-M Bldg. acct. 520-0863-7 to Francis T. Peach, Jr. for $29,800.00, endorsed "Francis T. Peach, Jr. Peach-Avis for deposit only 629-0947-8". This check caused overdraft of $1,005.31 on P-M Bldg. acct. and was returned NSF. A deposit of $1,025.00 on 2/18/81 allowed the check to clear and Peach-Avis was credited with the $29,800 on 2/12/81.	$29,800.00
				2/6/81 - FTP,Jr. drew check on Peach-Avis for $29,000.00 to Peach & Co. Inc., which was deposited on 2/6/81; deposit slip marked "loan FTP,Jr." This $29,000.00 check to Peach & Company, Inc. caused an overdraft in the Peach-Avis account which was covered by the $29,800 check from P-M Building.	

2846

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-390 81-391 1/15/81	Richard B. Bockmiller & Sons, Inc.	Lots 20 & 21 Avis Court Peach Mill	$240,000 ($120,000 each lot)	3/16/81 - FTP,Jr. caused Linda Nusinov to issue two checks from Liberty Savings & Loan to Richard Bockmiller & Sons, Inc., i.e..... #10169 - $23,775.00 #10170 - 23,775.00 $47,550.00 Both checks endorsed Richard B. Bockmiller & Sons, Inc., P-M Bldg. for deposit only 520-0863-7 at First National Bank reflected on bank statement as of 3/16/81	
				3/16/81 - Joan V. Bockmiller issued check #1001 on P-M Building acct. no. 520-0863-7 at First National to Francis T. Peach, Jr. for $12,000.00, endorsed Francis T. Peach, Jr., Peach-Avis for deposit only 629-0947-8; Equitable Trust Co. stamped 3/16/81 and credited to Peach-Avis acct.	$12,000.00
				3/18/81 - Joan V. Bockmiller issued check #1002 on P-M Building acct. no. 520-0863-7 at First National to Francis T. Peach, Jr. for $35,000.00, endorsed Francis T. Peach, Jr. Peach-Avis for deposit only 629-0947-8, Equitable Trust stamped 3/19/81 and credited to Peach-Avis acct. The beginning balance in Peach-Avis Acct. on 3/12/81 was $3,781.42; On 3/13/81 check no. 2137 on Peach-Avis acct. for $11,000 dated 3/11/81, payable to Peach-Mill Houses cleared acct. causing deficit balance of $7,218.58. Check no. 1001 from P-M Bldg. covered this deficit. On 3/17/81, two checks, nos. 2141 and 2142 were written on the Peach-Avis Acct. for $25,000.00 to Peach-Mill Houses (2142), and for $3,827.50 to Richard B. Bockmiller & Sons, Inc. (2141). These would have caused a deficit balance in the account on 3/19/81, when they were presented for payment at Equitable but for the depositing of the $35,000.00 check no. 1002 from P-M Building on that date.	$35,000.00
				Total Misappropriation from Loans 81-390, 31-391	$161,800.00

2847

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-403 403A 403B 403C 403D 403E 4/20/81	Richard B. Bockmiller & Sons, Inc.	Hickory Ridge Addition Lots 1, 2, 4, 9, 11, 14	$360,000 ($60,000 each lot)	4/29/81 - FTP,Jr. authorized Linda Nusinov to issue check #10579 from loan in process acct. at Liberty Savings & Loan to Richard B. Bockmiller & Sons, Inc. in the amount of $75,538.08 as 1st and 2nd draws on lots 1, 2, 4, 9, 11, 14. Check endorsed "For deposit only 629-0985-6" which was Bockmiller acct. at Equitable Trust and deposited 4/30/81.	
				4/30/81 - Joan V. Bockmiller issued check no. 3919 to Francis T. Peach, Jr. for $50,000.00 drawn on acct. 629-0985-6 at Equitable, endorsed Francis T. Peach, Jr. Peach-Avis for deposit only 629-0947-8 and deposited 4/30/81 to Peach-Avis Acct. Bockmiller's check register noted on 4/29/81 that check no. 3919 was to FTP for loan. On same date, 4/30/81 Joan V. Bockmiller issued check #2188 to Equitable Trust Company for $51,889.77, drawn on Peach-Avis acct., and debited on same date by Equitable Peach-Avis acct. 627-0947-8. The balance in the Peach-Avis acct. on the date of the $50,000.00 deposit (4/30/81) was $1,172.42.	$50,000.00

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-403 403A 403B 403C 403D 403E 4/20/81	Richard B. Bockmiller & Sons, Inc.	Hickory Ridge Addition Lots 1, 2, 4, 9, 11, 14	$360,000 ($60,000 each lot)	7/13/81 - FTP,Jr. authorized Linda Nusinov to issue check no. 11418 to Richard B. Bockmiller & Sons, Inc. for $81,778.00, as drawn on following loans in process: 81-419 Lot 110 Hilltop..........$14,076 draws 2 & 3 81-403E Lot 14 HR Addition...... 17,097 draws 5 & 6 81-403D Lot 11 HR Addition...... 6,411 draws 6 81-403B Lot 4 HR Addition...... 17,097 draws 5 & 6 81-403C Lot 9 HR Addition...... 17,097 draws 5 & 6 81-390 Lot 20 Avis Court....... 5,000 81-391 Lot 21 Avis Court....... 5,000 Total - $81,778 Check #11418 endorsed for deposit only 629-0985-6 and deposited to Richard B. Bockmiller & Sons, Inc. acct. at Equitable Trust Co. on 7/15/81.	
				7/16/81 - Joan V. Bockmiller issued check 4193 to Francis T. Peach, Jr. for $75,000.00 drawn on Richard B. Bockmiller & Sons, Inc. acct. #629-0985-6 at Equitable Trust Co., endorsed for deposit only 629-0947-8 and deposited to Peach-Avis acct. at Equitable Trust Co. on 7/17/81. This deposit was used to offset check #2274 issued 7/7/81 by Joan V. Bockmiller to First National Bank of Maryland for $77,527.78 which is endorsed "Payment for Notes #511, 515, 516, 517" and which cleared and was debited to Peach-Avis Acct. 629-0947-8 on 7/22/81. On 7/7/81 when check #2274 for $77,527.78 was issued, the balance in the Peach-Avis account was $2,801.70.	$75,000.00
				Total Misappropriation from Loans 81-403, 403A-E, 81-419 & 81-390, 391.	$125,000.00

A73741

2849

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-404 82-405 4/29/81	Emrob Land Company	404-Village of Bachman Lots 9, 11, 18-30 405-Village of Peachwood Lots 1, 2, 3, 4 & 5	$260,000 $234,000	5/8/81 - At the direction of FTP,Jr. Joan V. Bockmiller signed w/d Application and Receipt at Liberty Savings & Loan for $60,000 from acct. no. 25-40785 which was the Emrob Land Company's loan in process acct. Linda Musinov issued check no. 10723 to Emrob Land Co. for $60,000.00 endorsed "for dep. only Emrob Land Co." and deposited in Emrob Land Co. acct. at First National, acct. no. 520-0859-0, on 5/8/81; deposit slip notation "transfer from savings acct." On that date Emrob's commercial checking acct. 520-0859-0 at First National showed a balance of $1,118.92. Same date Joan V. Bockmiller issued check no. 106 for $60,000.00 on Emrob's acct. 520-0859-0 to Francis T. Peach, Jr. endorsed for deposit only 629-0947-8, which was Peach-Avis acct. at Equitable Trust. Deposit slip stamped 5/8/81 at Equitable and has Emrob written on it. On 5/8/81 balance in Peach-Avis acct. before $60,000.00 deposit was $2,386.26. The $60,000.00 deposit to Peach-Avis was needed to cover check #2190 to Peach & Co. for $37,000.00 dated 5/6/81 and deposited to Peach & Co.'s acct. at First National same date. Peach & Co. used the $37,000.00 deposit to cover smaller checks written that date plus $8,402.90 LPC, $14,163.97 LPC and a $15,000.00 check deposited to Peach-Avis on 5/6/81. This $15,000.00 check #7939 formed part of a deposit of $35,000.00 on 5/6/81 to Peach-Avis which was used to cover a deficit in that acct. of-$11,448.74 and a $20,000.00 check #2186 to Peach & Co. clearing the Peach-Avis acct. on 5/4/81 Peach & Co. used check #2186 for $20,000.00 to cover $25,575.14 LPC. The $60,000.00 deposit to Peach-Avis from Emrob was also used to cover check #2191 for $12,000.00 payable to Peach-Mill Houses and dated 5/5/81.	$60,000.00

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-404 4/29/81	Emrob Land Co.	Village of Bachman Lots 9, 11, 18-30	$260,000	9/17/81 - Joan V. Bockmiller signed w/d application for $25,000 against loan in process acct. #33-40786 at Liberty Savings & Loan. Linda Nusinov signed check #13718 payable to Emrob-Bachman for $25,000.00 same date, endorsed for deposit only 520-0859-2. Check deposited to Emrob Land Co. acct. 520-0859-0 at First National on 9/18/81.	
				9/16/81 - Joan V. Bockmiller signed check #112 drawn on Emrob Land Co. acct. 520-0859-0 for $25,000.00 payable to Peach & Co., Inc. endorsed for deposit only 062-9947-1, which was Peach & Co., Inc. acct. at First National. Deposit slip has typewritten notation "Commission from Emrob" and handwritten "Mgt. Fee Elders - 90". Deposit date was 9/17/81.	$25,000.00
				Paragraph F of Management Agreement signed by Emrob partners and FTP,Jr. on 3/11/81, provides that the Manager, Peach & Co. shall be entitled to 10% of the gross sales price of each lot when sold. Partnership had not sold lots entitling manager to fee.	

2851

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-405 4/29/81	Emrob Land Co.	Village of Peachwood Lots 1, 2, 3, 4 & 5	$234,000	10/26/81 - Joan V. Bockmiller signed w/d application for $15,910.88 from loan in process acct. 33-40787. Linda Nusinov signed check no. 14039 payable to Emrob-Peachwood for $15,910.88, endorsed Emrob-Peachwood Emrob Land Co. 520-859-0 deposited 10/26/81 to Emrob's acct. at First National. Writing on deposit slip says "Draw out of savings for interest."	A7571-1
				Same date Joan V. Bockmiller issued check #118 on Emrob's acct. to Peach & Co. for $11,300.00 endorsed for deposit only 062-9947-1 and deposited same date to Peach & Co. acct. at First National.	$11,300.00
				Note: This deposit was part of larger deposit comprised of checks from Melstone, Woodglen totaling $42,600.00, which was used to cover an LPC totaling $83,868.35 paid out of Peach & Co. on 10/26/81 when Peach & Co. acct. had deficit balance of -$14,609.83.	
				10/27/81 - Peach & Co. paid back Emrob with check #10046 for $11,300.00.	

2852

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-404 82-405 4/29/81	Emrob Land Co.	404-Village of Bachman Lots 9, 11, 18-30	$260,000	11/24/81 - FTP,Jr. signed Liberty Savings & Loan w/d applications for $10,000.00 out of loan in process acct. #33-40786 (Bachman) and $20,000.00 out of acct. #33-40787 (Peachwood). Linda Musinov issued check #14306 for $10,000.00 to Emrob-Bachman and check #14307 for $20,000.00 to Emrob-Peachwood. Both checks endorsed "For dep. only Emrob Land Co. 520-0859-0" and deposited on one deposit slip totaling $30,000.00 to Emrob acct. at First National on 11/25/81.	A73745
		405 Village of Peachwood Lots 1, 2, 3, 4 & 5	$234,000		
				11/25/81 - Joan V. Bockmiller issued check #125 against Emrob acct. to Peach & Co. for $30,000.00, endorsed with Peach & Co. stamp for deposit only to acct. 062-9947-1. Deposited 11/27/81. This check reduced the balance in the Emrob acct. to $0.25.	$30,000.00
				Note: The $30,000.00 deposit to Peach & Co. acct. was needed to increase the balance in that acct. to cover a $74,000.00 check #10290 to Francis T. Peach, Jr. dated 11/25/81 and deposited to Peach-Avis. Peach-Avis acct. needed the $74,000.00 deposit to cover check #2468 dated 11/23/81 to Melstone Valley Partnership for $75,000.00. Peach-Avis acct. owed Melstone Valley Partnership $75,000.00 due to Melstone Valley Partnership check #113 for $75,000.00 deposited to Peach-Avis on 11/20/81.	

2853

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-404 82-405 4/29/81	Emrob Land Co.	404-Village of Bachman Lots 9, 11, 18-30	$260,000	12/4/81 - FTP,Jr. signed Liberty Savings & Loan w/d applications for $10,000.00 from loan in process acct. #33-40786 (Bachman) and $20,000.00 from loan in process #33-40787 (Peachwood). Linda Nusinov issued check #14428 to Emrob-Bachman for $10,000.00 and check #14429 to Emrob-Peachwood for $20,000.00. Both checks endorsed for deposit only 520-0859-0 and deposited to Emrob acct. at First National on 12/7/81.	
		405-Village of Peachwood Lots 1, 2, 3, 4 & 5	$234,000		
				12/9/81 - Joan V. Bockmiller issued check #128 to Peach-Mill, Ltd. for $14,500.00 drawn on Emrob's acct., endorsed for deposit only Peach-Mill 629-0946-6 and deposited in Peach-Mill Ltd.'s acct. at Equitable Trust. A note on the deposit slip for Peach-Mill Ltd's acct. on 12/9/81 indicates "Loan Emrob Land Co."	$14,500.00
				12/9/81 - Francis T. Peach, Jr. signed check #369 drawn on Peach-Mill Ltd Partnership acct. #629-0946-6 at Equitable Trust to Peach Co. for $14,554.04. The balance in that acct. prior to the $14,500.00 deposit from Emrob was $595.41.	
				Total Misappropriations - Emrob	$140,800.00

2854

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-409 5/13/81	Melstone Valley Partnership	Melstone Valley Brangles Road	$700,000	5/13/81 - Linda Nusinov at request of FTP,Jr. establishes savings acct. 33-40819 in name of Melstone Valley Partnership subject to order of FTP,Jr. and Joan V. Bockmiller. Opening balance $322,104.24 with Liberty obligated to pay 15% interest per month. The $322,104.24 was the balance of the loan after settlement which was usually left in loan in process acct. By placing balance in 33-40819, Liberty Savings & Loan lost control of funds and now had to pay interest of 15% to the borrower. This was an unusual procedure which the Savings & Loan normally did not use.	
				9/23/81 - Joan V. Bockmiller made w/d from Melstone Savings Acct. #30-40819 for $69,347.41 Linda Nusinov issued check #13767 to Melstone Valley Partnership for $70,000.00, endorsed for deposit only Melstone Valley 015001183 which was Melstone Valley's checking acct. at Liberty Savings & Loan. Same date Joan V. Bockmiller issued check #105 drawn on Melstone Valley acct. #015001183 to Francis T. Peach, Jr. endorsed for deposit only 629-0947-8 which was deposited with another check from Peach & Co. to the Peach-Avis acct. at Equitable Trust Co. for a total deposit on 9/23/81 of $84,000.00. The $70,000.00 deposit from Melstone plus the $14,000 deposit from Peach & Co. was needed to cover a deficit in the Peach-Avis acct. of -$45,119.41 on 9/22/81 caused by a $150,000 check #2380 dated 9/18/81 to Peach & Co., Inc. which cleared the Peach-Avis acct. on 9/22/81. The $150,000.00 check to Peach & Co. enabled Joan V. Bockmiller to write a check on the Company's account 062-9947-1 to Oklahoma Land Co. for $150,000.00 on 9/18/81. FTP,Jr. owned 50% interest in Oklahoma Land Co. at that time. On 9/15/81 Joan V. Bockmiller had written a check for $150,000.00 drawn on Oklahoma's acct. #520-0589-1 at First National to Sanzo Rubino from whom Oklahoma had purchased land for development. This money was due and payable in July 1981. The $70,000.00 check from Melstone made that payment possible.	$70,000.00

2855

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Accounts Involved	Amount of Mis-appropriation
82-409 5/13/81	Melstone Valley Partnership	Melstone Valley Brangles Road	$700,000	10/26/81 - Unsigned w/d application made to w/d $26,833.34 from Melstone savings acct. 33-40819 at Liberty Savings & Loan. Linda Nusinov issued check #14038 to Melstone Valley Partnership for $26,833.34. Endorsed for deposit only to Melstone Valley checking acct. at Liberty Savings & Loan #015001183. Balance in Melstone acct. on 10/25/81 was $675.00. The deposit from savings enabled Joan V. Bockmiller to issue a $27,400 check #108 to Peach & Co. on 10/26/81 which was endorsed for deposit only to 062-9947-1 along with other checks totaling $42,600.00. These deposits and others on that date enabled Peach & Co. which had a deficit balance of -$14,609.83 as of 10/26/81 to pay $83,868.35 in LPC's. Check #108 from Melstone did not clear its acct. until 10/29/81. As of that date check #10047 from Peach & Co. to Melstone repaying the $27,400.00 was deposited to Melstone enabling Melstone to cover check #109 for $26,833.34 paid to Liberty Savings & Loan for interest on 10/26/81. The Peach & Co. check #10047 did not clear Peach & Co. acct. at First National until 11/2/81.	$27,400.00

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
82-402 5/13/81	Melstone Valley Partnership	Melstone Valley Brangles Road	$700,000	11/24/81 - FTP,Jr. signed w/d application for $40,000.00 from Melstone savings acct. #33-40819 at Liberty Savings & Loan. Linda Nusinov issued check #14305 to Melstone Valley Partnership for $40,000.00, endorsed and deposited to Melstone checking acct. #015001183 at Liberty Savings & Loan.	
				11/25/81 - Joan V. Bockmiller issued check #116 to Peach & Co. drawn on Melstone acct. #015001183 for $40,500.00, endorsed Peach & Co. for deposit only 062-9947-1 and deposited same date. This deposit enabled Joan V. Bockmiller to pay LPC's drawn on Peach & Co. and issue check #10290 to FTP,Jr. for $74,000.00 dated 11/25/81, endorsed for deposit only to 629-0947-8, Peach-Avis acct. at Equitable Trust. The $74,000.00 deposit to Peach-Avis was used to cover Peach-Avis check #2468 to Melstone Valley Partnership dated 11/23/81 for $75,000.00 which cleared Peach-Avis acct. on 11/25/81. Deposit slip to Melstone acct. has word "exchange" written on it. The $75,000.00 deposit to Melstone Valley was used to cover check #113 dated 11/20/81 drawn on Melstone Valley acct. for $75,000.00 payable to FTP,Jr. which was deposited to Peach-Avis on 11/20/81 and cleared Melstone acct. on 11/23/81. The $75,000.00 deposit to Peach-Avis on 11/20/81 was used to cover check #2458 to Peach & Co. dated 11/18/81 for $57,000.00 which cleared Peach-Avis on 11/20/81. The $57,000.00 deposit to Peach & Co. along with another check for $18,000.00 from White Oak totaling $75,000.00 was used to cover $60,000.00 check #10204 dated 11/17/81 to Melstone Valley drawn on Peach & Co. which cleared Peach & Co. acct. 11/19/81. The $60,000.00 deposit to Melstone's acct. was used to cover Melstone check #112 dated 11/13/81 payable to Peach & Co. for $60,000.00 which was deposited to Peach & Co. on same date.	$40,500.00

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
				Peach & Co. used the $60,000.00 deposit from Melstone to cover a deficit in its acct. of -$8,218.17 on 11/11/81; check #10179 issued to FTP,Jr. on 11/11/81 for $22,500.00 and other smaller checks. The $22,500.00 check and deposit to Peach-Avis was used to cover a -$21,995.00 deficit in that acct. on 11/10/81 caused by check #2446 to Smith, John & Smith for $32,416.71 clearing 11/4/81.	A73750

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-402 5/13/81	Melstone Valley Partnership	Melstone Valley Brangles Road	$700,000	12/4/81 - FTP,Jr. signed w/d application withdrawing $40,000.00 from Melstone savings acct. #33-4081-9 at Liberty Savings & Loan. Linda Musinov issued check #14427 to Melstone Partnership for $40,000.00 same date, endorsed and deposited to Melstone checking acct. 015-00118-3 at Liberty Savings & Loan.	
				On 12/4/81 Joan V. Bockmiller issued check #117 drawn on Melstone acct. payable to Wood Glen Farms for $9,800.00, endorsed and deposited to Wood Glen Farms acct. 520-0604-1 at First National. Same date Joan V. Bockmiller issued check #189 drawn on Wood Glen Farms acct. 520-0604-1 to Peach & Co., Inc. for $9,732.18 marked for repayment of loan, endorsed and deposited to Peach & Co. acct. on 12/4/81.	$ 9,800.00
				Joan V. Bockmiller issued check #118 drawn on Melstone acct. for $21,300.00 payable to White Oak Partnership for a loan at prime plus 1. FTP,Jr. had interest in White Oak Partnership at that time.	$21,300.00
				On 12/23/81 Joan V. Bockmiller issued check #119 drawn on Melstone Valley acct. for $21,000 payable to Oklahoma Land Co. in which FTP,Jr. had 50% interest at that time.	$21,000.00
				On 12/30/81, $9,811.00 was deposited to the Melstone Valley checking acct. and marked "repay Wood Glen Farms $9,800.00 plus interest $11.00." This indicates a loan (check #117 for $9,800.00) made by Melstone to Wood Glen Farms on 12/4/81 at an annualized interest rate of 2%.	

A1575

2859

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
82-402 5/13/81	Melstone Valley Partnership	Melstone Valley Brangles Road	$700,000	12/30/81 - FTP,Jr. signed two w/d applications for funds from the Melstone Valley Partnership savings acct. #33-40819 at Liberty Savings & Loan: $16,597.40 43,125.00 $59,722.40 Based on these withdrawals and at the request of FTP,Jr. Linda Musinov issued two checks drawn on Melstone's acct. #33-40829 as follows: #14660 dated 12/30/81 payable to Carroll County Commissioners for $43,125.00 signed Linda Musinov endorsed for deposit County Commissioners of Carroll Co. Special Enterprise Fund. #14461 dated 12/30/81 payable to Carroll County Commissioners for $16,597.40 signed Linda Musinov endorsed for deposit only County Commissioners Carroll Co. These payments were made on behalf of the Oklahoma Land Co. in which FTP,Jr. had a 50% interest and served to pay for inspections of road, storm drains, water & sewage plans for Oklahoma Land Co.'s development phase 3 ($16,597.40), and; for 25 water and sewer connections for the same development ($43,125.00). Melstone Valley Partnership had no interest in Oklahoma Land Co.	$59,722.40

Total Misappropriation - Melstone $322,104.24

Based on intent inferred when balance of loan after settlement was placed in savings account under control of FTP,Jr. so that entire amount could be used for purposes other than these for which loan was made.

2860

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Mis-appropriation
81-439 439A 439B 439C 439D 10/16/81	Richard B. Bockmiller & Sons, Inc.	Oklahoma Lots 23, 25, 48, 51 & 56	$400,000 ($80,000 each lot)	10/28/81 - Rita Wakefield issued check #14078 drawn on loan in process acct. #81-439 for $84,207.30 payable to R. B. Bockmiller & Sons, Inc. check stub at Liberty Savings & Loan indicates withdrawal was for draws 1 & 2 on lots 23, 25, 48, 51 & 56 as well as draws on other loans to same firm. Endorsed and deposited to Bockmiller acct. #62909856 at Equitable Trust. On same date R.B. Bockmiller wrote check #4575 drawn on acct. 62909856 to Peach & Co., Inc. for $25,000.00 which was deposited to Peach & Co. acct. 062-9947-1 at First National on same date. This deposit to Peach & Co. acct. which was credited on 10/28/81 was used to cover $23,963.12 List Post Checks against the acct. on that date since the beginning balance in the acct. on 10/28/81 was only $5,775.23.	A73753 $25,000.00

2861

Number and Date of Loan	Company or Partnership	Development	Loan Amount	Transactions and Bank Accounts Involved	Amount of Misappropriation
81-439 439A 439B 439C 439D 10/16/81	Richard B. Bockmiller & Sons, Inc.	Oklahoma Lots 23, 25, 48, 51 & 56	$400,000 ($80,000 each lot)	11/2/81 - Linda Nusinov issued check #14145 drawn on loan in process acct. for 81-439 payable to Richard B. Bockmiller & Sons, Inc. for $42,103.65. Check stub at Liberty Savings & Loan indicated funds were for 3rd draw on Lots 23, 25, 48, 51 & 56. Endorsed and deposited to R. B. Bockmiller & Sons, Inc. acct. 629-0985-6 at Equitable Trust same date. On 11/2/81 Joan V. Bockmiller issued check #4608 drawn on acct. 629-0985-6 to Francis T. Peach, Jr. for $42,000.00 endorsed Francis T. Peach, Jr. for deposit only 629-0947-8, which was Peach-Avis acct. at Equitable Trust. This deposit to Peach-Avis covered a $25,000.00 check to the Bockmillers which cleared on 11/2/81. Peach-Avis statement indicated that it was meant to cover $32,416.21 check to Smith, John & Smith escrow acct. and another $10,000.00 check clearing on 11/4/81.	$42,000.00
				Total Misappropriation - Bockmiller/Oklahoma	$67,000.00
				TOTAL MISAPPROPRIATION - ALL ACCOUNTS	$816,704.24

2862

OFFICES OF

STEPHEN H. SACHS
ATTORNEY GENERAL

ELEANOR M. CAREY
PAUL F. STRAIN
DEPUTY ATTORNEYS GENERAL

THE ATTORNEY GENERAL
Department of Licensing and Regulation
501 St. Paul Place
14th Floor
BALTIMORE, MARYLAND 21202-2272
301/659-6220

FRANCIS X. PUGH
ASSISTANT ATTORNEY GE
Counsel to the
Department of Licensing and Regul

ROBERT deV. FRIERSON
ASSISTANT ATTORNEY GENER
DEPUTY COUNSEL

PAUL W. GRIMM
ASSISTANT ATTORNEY GENEF
CHIEF, LITIGATION AND ADMINISTR

April 10, 1984

Charles H. Brown, Jr., Director
Division of Savings and Loan Associations
231 E. Baltimore Street-Seventh Floor
Baltimore, Maryland 21202

Re: Custom Savings & Loan Association

Dear Mr. Brown:

You have requested advice of counsel as to whether the Division Director has the power to seek restitution for affected accountholders of Custom Savings and Loan Association ("Custom") who deposited funds in any of Custom's several variable rate Cash Fund Accounts, under the facts set forth in the succeeding paragraph.

While several different Cash Fund accounts were offered by Custom involving minor differences in terms, the general format involved advertisements offering a high guaranteed yield for a limited period of time, with all such accounts operating as daily variable rate statement savings accounts after the guaranteed period, the rate being "subject to daily changes to reflect money market conditions." The questioned practice occurred during the variable rate phase when the daily rate would be set by Custom's three principal officers after reviewing rates of local competitors. Accountholders could call Custom's office (with some difficulty) and be advised of the day's rate. This telephone service did not operate on weekends and holidays. A MSSIC examination covering a 6 month period revealed Custom's consistent practice of lowering the daily rate over weekends and holidays up to 3.6% per annum from the last quoted rate, and then jumping the next post-weekend or holiday rate back to the area of the last quote (e.g. dropping from a 10.3% quoted annual rate for Friday to a 6.9% annual rate for Saturday and Sunday, and averaging a reduction of approximately one and one-half points for reviewed weekends). Neither accountholders, the Division, nor MSSIC were aware of the practice prior to the examination, and could not reasonably be expected to have discovered it from

Ex. 14-2

the periodic account statements, given the complications inherent in interest calculations involving a variable daily rate and compounding. On the demand of the Director and MSSIC, Custom has discontinued the questioned practice.

For purposes of this opinion, I am assuming that Custom's unique ratesetting practices set forth above violate applicable law or Board of Commissioners regulations and thus come within the scope of §8-401 of the Financial Institutions Article discussed below. The meager statement that a depositor's variable rate account is "subject to daily charges to reflect money market conditions" may well fall short, on grounds of accuracy and completeness, of the disclosure of "the method of computing the dividend or interest" required under the Truth in Savings section of savings and loan law. Code, Financial Institutions Article, §9-403(2). Further, from an overview of Custom's Cash Fund practices, the same statement on the variable rate together with the telephone advice on specific weekday rates being paid to depositors could constitute an inaccurate and misleading advertisement under Board Regulation COMAR 09.05.01.18C.

However, even assuming these violations of savings and loan law and regulation (the practices being promptly terminated on demand of the Director), after a review of the area, I conclude that the Division Director does not have the power to require restitution from Custom for affected accountholders for lost interest resulting from the "dropped" weekend and holiday rates.

Applicable powers of the Director are set forth in Titles 8 and 9 of the Financial Institutions Article of the Maryland Code. Under §8-303, the Director is given "general supervision of savings and loan associations in this State", and §8-401 empowers him to issue orders to compel associations to comply with their charter or bylaws, any applicable law, or any rule or regulation of the Board of Commissioners. Significantly, the penalty and enforcement powers of the Director (and the Board of Commissioners) are quite limited. Missing are powers to fine, to suspend or revoke charters, to remove officers or directors, or to order restitution. (Compare specific powers of the Insurance Commission to revoke or suspend an insurer's certificate of authority or impose a fine of up to $50,000 for violation of the Insurance Code or regulations including unreasonable delay in paying claimants amounts due them, under Article 48A, §§55 and 55A; the power of the Division of Consumer Protection to assess damages against violators of the Consumer Protection Act flowing from improper or incomplete restitution under §13-204(10) of the Commercial Law Article; and the Bank Commissioner's removal power over bank directors and officers for engagement in unsound banking practice under §5-801 of the Financial Institutions Article).

2864

It would be stretching matters to conclude that the Division Director's general supervisory power over associations, combined with the liberal construction directed by §§8-103 and 9-906 of the Financial Institutions Article, allow the Director to order restitution in this situation. The usual rule is that state agencies have only those powers conferred by statute, either expressly or by necessary implication. Am. Jur., "Administrative Law", §70; Albert v. Public Service Commission, 209 Md. 27, 34 (1956). Cooper, State Administrative Law, p. 695 sets forth collected cases

> ". . . involving situations wherein an agency, believing that the public interest would be served if certain action were required, undertakes to order a course of conduct which under the statute it has no authority to require."

The uniform result was reversal by the reviewing court. See also Id. at p. 705.

While it is presumed that the variable rate practices of Custom described above are unique, I note that you have now specifically advised all state chartered associations that such practices will henceforth be treated as deceptive and misleading. I also understand that the Board is considering tightening up variable rate disclosure requirements by regulation.

Very truly yours,

John Cooper

John C. Cooper
Assistant Attorney General

JCC:pjm

copies to Francis X. Pugh
Robert deV. Frierson

ADVICE OF COUNSEL; NOT AN OPINION OF THE ATTORNEY GENERAL

Maryland Savings-Share Insurance Corporation

BALTIMORE LIFE BUILDING
901 NORTH HOWARD STREET
BALTIMORE, MD. 21201
(301) 727-7810

CHARLES C. HOGG II
PRESIDENT

DEPT. OF LIC. & REG.
DIV. OF SAV & LOAN ASSNS.
FEB 16 1984

HAND DELIVERED

February 14, 1984

Mr. Barry J. Renbaum, Vice President
Custom Savings Association
15 Walker Avenue
Pikesville, Maryland 21208

Dear Barry,

The purpose of this letter is to confirm with you and the management of Custom Savings Association certain concerns about several aspects of the advertising and operating practices of Custom, and to outline corrective actions the staff, Membership Committee and Board of Directors of MSSIC believe are appropriate.

1. The first area concerns what we believe to be your practice of lowering on non-business days the rates paid to depositors on certain of Custom's variable rate accounts. We have information which indicates that during the period June 27, 1983 to December 20, 1983, Custom paid a lower rate on your Variable Rate NOW and $1000 Cash Fund on Saturdays, Sundays and Holidays than on normal Monday through Friday business days. It would appear that this practice was by design and was intended to produce a lower return than the depositor believed he was receiving. If not deceptive and misleading, the practice is certainly unusual and confusing, and not a normal business practice. This practice should be stopped immediately.

2. We believe the nomenclature "Fixed Rate" and "Fixed Term" applied to accounts which are in fact variable to be confusing and possibly misleading to a general consumer. This should be corrected or more fully disclosed.

3. Certain of Custom's Truth in Savings Statements appear to be inadequate, and we question the distribution of these statements. You should insure proper compliance with Section 9-403 of Title 9, Financial Institutions Article, Annotated Code of Maryland, and curtail advertising until accurate statements can be distributed to new and existing account holders.

2866

4. We have a major concern about the way inquiries are handled by Custom. The immediate response by your staff and answering services appears to be to refer all calls or questions to MSSIC. You should have sufficient staff, properly trained, to answer all questions generated as a result of your national advertising campaigns. We have received complaints that interested consumers get less than complete disclosure or adequate responses to concerns and general inquiries.

5. Custom should prepare and distribute accurate and meaningful financial statements to any depositor or potential depositor who requests one. A depositor who is asked to deposit funds in Custom is entitled to accurate information upon which to base his decision, and that decision should rely on the financial condition of the institution, not solely on the fact that the accounts are insured by MSSIC.

6. We want to review in depth your current investment and accounting policies to insure that the income reported is based on both accounting and economic bases, and that the asset portfolio is so structured that a significant change in interest rate levels will not reduce the liquidation value of the assets significantly.

7. Finally, we want to review the ownership structure of Custom, the financial position of Temple Finance Company and the availability of additional capital from whatever sources.

These and other topics were discussed with you in a meeting held at the Division of Savings and Loan Associations on February 10, 1984. We look forward to your formal response to these issues and your plan for corrective action.

Sincerely,

Charles Hogg II

Charles C. Hogg, II
President

cc: Charles H. Brown, Jr.
Terry F. Hall

CCH/nc

FI §'s on Powers

8-102 – Legislative Policy that –
1 (i) S&L's be supervised & (ii) business & finance stability assured.

8-103 – Provisions of Title 8 to be liberally construed to promote purposes of S&L's

8-207 (c) Bd. of C's powers —
① Advise D on matters w/i his authority
② Recco. changes in S&L laws
③ Determine procedures & standards for examinations, valuation, & advertising & promo activities relating to S&L's (d) may adopt rules & reg to carry out F.I. provisions

x 8-303 – D has general supervision of S&L's in this State."

x 8-401 – Orders. D may issue orders to compel S&L to comply w/ ① Charter or B/L's ② Any applicable law or ③ Reg. of Bd.
Order shall state violation & direct discontinuance & compliance w/ plan –

9-905 – Bd shall regulate promotional activities of S&L's.

9-906 – Provisions of Title 9 liberally construed to promote purposes of S&L's.

OAG's
Restitution – 60-592

Theory of restitution recovery on unjust enrichment grounds

8 Md. Rev. 733 9-403 – Truth in savings

OAG 535 3-183 Consumer Commercial Law – Act §13-204 (10)
Division of Consumer Protection – Assess damages against violators flowing from improper or incomplete restitution

8-407 – Enforcement by injunction
9-701 Conservators 9-708 – Receiver

2869

Martin ... (acct start)

1

S&L Meeting 2/10 on Custom S&L

Barry ~~Rosebor~~ Repbaum

On CF Accounts, rate subj to daily change – No index – dangerous

Consider – Competition, need for $

Acc't 4 yrs old – 3 B's set rate.

All ads – T-i-L Money mkt condits = B O's. setting daily rate.

Not presently advertising large rate now.

~~Don~~: Rate today 10.3 & yield 11.%

After cutoff date on variable rate funds, all funds go at same rate.

	Est. $	on SC-200 VR now acc'ts
① Cash Fund Acc't	50 mil.	
② 12 mo. I'd Fund		

Almost identical account on CF but out of town has lower minimum deposit. Consider as same fund. Rates are synchronized on the in & out of town, & apply to all variable accounts past ad period.

No difference in handling interest $.

Says no ad

→ Schedule denotes every rate change.

→ For entire pd., no ads for account.

Admits there is "clear pattern"

Expect to publish mo'ly (mailed) yield on 1/4'ly statements.

Do give daily rate telephone advice (70 calls per hr.). Can't get rate on Sat/Sun.

Ⓐ "No ceiling / no floor

Ⓑ "Subj. to daily change"

my file
how, happy
MSSIC
S&L'S
now, (?)
to compete
my Rosebaum

ll5
near peak
~ Rate

③
200 fixed
Rate
Cash Fund

Ag
Veltfield

Rosebaum
(with us
savings)
Statement

00 No.
don't give
rate –
lends
inquiry
to Custom –
no info
on rate.

Custom S&L 2/7

Terry Hall (V, B&H) — Re. restitution for past rate fiddling. ? of restitution

Feels no requirement on MSSIC to do it (or Division). MSSIC might be able to do it.

Also feels Division can't require it.

MSSIC — 0 in statute or B/L's but applies but in Rules & Regs — 3-222 (a)(3) (C&D powers) — Can require affirm action to correct condition.

MSSIC won't exercise this power on this one.

Finds 0 in Title 9 for S&L Div

In Title 8 — Director's Order to comply w/ ch & B/L's or Rule & Reg of Commission.

L Brown — Draft L —