

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

Suburban Federal Savings Bank
Collingdale, Pennsylvania

OTS Order No. NE93-46

Dated: December 20, 1993

STIPULATION AND CONSENT TO THE ENTRY OF AN
AMENDMENT TO ORDER TO CEASE AND DESIST

WHEREAS, an Order to Cease and Desist was issued on April 12, 1991 to Suburban Federal Savings Bank ("Suburban" or the "Association") pursuant to OTS Resolution No. PIT-91-3 ("the 1991 Order");

WHEREAS, the OTS and Suburban wish to amend the requirements of the 1991 Order through the issuance of this Amendment to Order to Cease and Desist ("the Amended Order") in order to: (i) eliminate certain provisions (i.e. Sections 1, 2, 4, 5, 6, 10, 11, 16, 17, and 18) that are no longer necessary and (ii) consolidate and/or restate certain provisions (i.e. Sections 3, 7, 8, 9, 12, 13, 14, 15, 19, 20 and 21); and

WHEREAS, Suburban hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) Suburban is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b)¹ and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C. § 1813(c).

(b) Pursuant to section 8(b) of the FDIA, 12 U.S.C. § 1818(b), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that engages in unsafe or unsound practices in conducting its business and/or violates a rule or regulation.

1. All references to the U.S.C. are as amended.

(c) Pursuant to Section 3(q) of the FDIA, 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative proceeding against such a savings association. Therefore, Suburban is subject to the jurisdiction and jurisdiction of the OTS to initiate and maintain a administrative proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

2. OTS Findings of Fact. The OTS is of the opinion that Suburban needs to correct the deficiencies cited in the Report of Examination dated February 1, 1993. These deficiencies relate to, inter alia, the level of, recognition and reporting of, and efforts to dispose of problem assets.

3. Consent. Suburban consents to the issuance by the OTS of the Amended Order. It further agrees to comply with the terms of the Amended Order upon issuance.

4. Finality. The Amended Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director or designee for the Northeast Region, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers.

(a) Suburban waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

(b) Suburban acknowledges and agrees that the consent to the entry of the Order is for the purposes of resolving this OTS enforcement matter only, and does not resolve, affect or preclude any other civil or criminal proceeding which may be or has been brought by the OTS or another governmental entity.

6. Signature of Directors. Each Director signing this Stipulation attests that s/he voted in favor of a resolution authorizing the execution of the Stipulation.

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of
SUBURBAN FEDERAL SAVINGS BANK
Collingdale, Pennsylvania

OTS Order No. NE93-46

Date: December 20, 1993

AMENDMENT TO ORDER TO CEASE AND DESIST

WHEREAS, an Order to Cease and Desist was issued on April 12, 1991 to Suburban Federal Savings Bank ("Suburban" or the "Association") pursuant to OTS Resolution No. PIT-91-3 ("the 1991 Order");

WHEREAS, the OTS and Suburban wish to amend the requirements of the 1991 Order through the issuance of this Amendment to Order to Cease and Desist ("the Amended Order") in order to: (i) eliminate certain provisions (i.e. Sections 1, 2, 4, 5, 6, 10, 11, 16, 17, and 18) that are no longer necessary and (ii) consolidate and/or restate certain provisions (i.e. Sections 3, 7, 8, 9, 12, 13, 14, 15, 19, 20 and 21); and

WHEREAS, Suburban, by and through its board of directors ("Board"), has executed a Stipulation and Consent to the Entry of the Amendment to Order to Cease and Desist; and

WHEREAS, Suburban, in the Stipulation, has consented and agreed to the issuance of this Amendment to Order to Cease and Desist pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b)¹; and

WHEREAS, the Director of the Office of Thrift Supervision ("OTS") has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist on behalf of the OTS where there has been consent to the issuance of the Order; and

1. All references to the U.S.C. are as amended.

NOW THEREFORE, IT IS ORDERED THAT SUBURBAN and its directors, officers, employees, and agents shall ensure that Suburban and its directors, officers, employees and agents do not take any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any unsafe or unsound practice or any violation of those regulations cited on pages 2 and 3 of the 1991 Order.

IT IS FURTHER ORDERED THAT:

1. Review of Loan and Investment Portfolio

Sections 7, 12 and 13 of the 1991 Order are modified and restated as follows:

A. Review by Management. Within 45 days after the date of this Amended Order, the Association shall adopt and implement a procedure, subject to subsequent review and approval by the OTS, for the periodic review of the Association's loan and investment portfolio to ensure that: (i) all assets are appropriately designated as Criticized Assets to the extent that circumstances warrant, and (ii) appropriate valuation allowances are made to reflect the current and anticipated credit risk of such portfolio (including contingencies). "Criticized Assets" for this purpose shall mean assets classified as "Loss", "Doubtful", or "Substandard" pursuant to 12 CFR § 563.160, together with any other assets designated as "Special Mention" pursuant to regulatory examination or otherwise. Such procedure shall be administered by a management official who does not have responsibility for making loans and investments who shall report directly to the Board of Directors (the "Risk Assessment Officer"). Pursuant to this procedure the Risk Assessment Officer shall prepare a report to the Board of Directors at the end of each calendar quarter (a "Risk Report") which shall:

(1) list all Criticized Assets reflected in the most recent OTS Report of Examination ("ROE") or otherwise identified as a Criticized Asset, specifying for each such asset: (a) the asset's identification number, (b) the identity of the relevant borrower or issuer, (c) the Association's recorded investment (i.e. principal balance, plus accrued interest, plus or minus related discounts or premiums), (d) the amount classified as special mention, substandard, doubtful or loss, (e) any specific valuation allowances established against the asset, (f) the carrying amount of the asset (recorded investment minus specific loss allowances), (g) any material change in the foregoing information from that reflected in the immediately preceding Risk Report, (h) and the results of any action previously recommended by management or the Board with respect to such asset; and

(2) provide an analysis of the adequacy of (i) the Association's specific valuation allowances ("SVA's") for its Criticized Assets in light of the Risk Officer's review of such Criticized Assets, and (ii) the Association's general valuation allowances ("GVA's") in light of the Risk Officer's review of trends in economic factors (e.g., interest rates), operational factors (e.g., late payments) and other factors deemed relevant to such review. In reviewing Criticized Assets and economic, operational and other factors for this purpose, the Risk Officer may rely on the work of other officers and employees of the Association, however the Board of Directors shall have ultimate responsibility for the assessment of valuation allowances.

B. Review by the Board of Directors. The Risk Report for each calendar quarter shall be sent to each member of the Board of Directors prior to the first regularly scheduled meeting of the Board in the next calendar quarter. At such meeting, the Board shall review such report with the Risk Assessment Officer. The Board's review and discussion shall be reflected in the minutes of the meeting together with a copy of such report. The Risk Officer shall provide follow-up reports on any specific matters requested by the Board which shall be addressed at the next following regularly scheduled meeting of the Board.

2. Workout of Problem Assets

Sections 14 and 15 of the 1991 Order are modified and restated as follows:

A. Workout Team. Within 30 days after the date of this Amended Order, the Board of Directors shall establish a team of Association officers and employees (the "Workout Team") to workout (i) all Criticized Assets which have as of the date hereof a principal amount of \$500,000 or more, and (ii) any other Criticized Asset referred to the Workout Group by the Board or management (collectively, "Workout Assets"). The Workout Team shall implement a Board-approved policy, subject to subsequent OTS review and approval, to develop and execute a specific written plan for the resolution of each Workout Asset (a "Workout Plan"). In establishing the Workout Team, the Board shall review the abilities and depth of present management. The Board of Directors shall inform the OTS of the composition of the Workout Team within 30 days after the effective date of this Agreement.

B. Workout Plans. The Workout Plan for each Workout Asset shall provide for:

- (1) a review of the relevant file, including any loan documents, appraisals and any related correspondence,
- (2) an assessment of the value of any collateral securing a Workout Asset pursuant to a loan by the Association, along with an evaluation of the Association's lien position,
- (3) reasonable assumptions of available cash flow for debt service,

(4) the enforceability of any guarantees,
(5) justification of any additional disbursements contemplated,
(6) for Workout Assets other than loans, a computation of fair value,
(7) an assessment of any potential legal issues which may materially impact the workout, and
(8) based on the foregoing, a recommended course of action for the workout of such asset together with a proposed timetable therefor.

Unless otherwise notified by the OTS that any existing Workout Plan is deficient, the Association need not formulate any new Workout Plan solely as a consequence of the issuance of this Amended Order, provided that the Association explicitly determines that such existing Workout Plans comply with the specifications set forth above.

C. Review by Board of Directors. The Workout Team shall prepare a written report (the "Workout Report") of its activities providing a summary of the foregoing information for each individual Workout Plan together with the status of achieving each such plan's goals. The Workout Report shall also describe the overall results of all Workout Plans since the immediately preceding Workout Report including a description of the results of any asset dispositions. The Workout Report shall be updated and presented to the Board no less than monthly, whereupon the Board shall review such report with a member of the Workout Team. The Workout Report and the discussion of the Board with respect thereto shall be reflected in the minutes of the meeting.

3. Business Plan

Sections 8 and 9 of the 1991 Order are modified and restated as follows:

A. Revise Business Plan. No later than March 31, 1994, the Association shall adopt a revised business plan. The business plan shall identify the major areas in, and means by which the Board will seek to improve the Association's operating performance. At a minimum, the business plan shall provide for:

- (1) an assessment of the Association's present financial condition and risk profile (i.e. capital, earnings, credit risk, interest rate risk and liquidity risk);
- (2) projections based on reasonable assumptions of the Association's expected operating performance;
- (3) a budget, prepared in light of such projections, for controlling levels of operating expense in relation to the Association's revenue, assets, business activity and capital levels;

(4) budget review procedures that compare actual results with such projections; and

(5) procedures for implementing prudent reductions in operating expense in response to shortfalls in budgeted revenue and capital levels.

B. Review by Board. The business plan and its implementation by management shall be reviewed by the Board at least once during every calendar quarter and such review shall be documented in the Board minutes. The Board shall in addition to such quarterly reviews, review the business plan annually to determine if revisions are required and shall, with the assistance of management, revise the business plan accordingly.

4. Prohibition from Certain Lending

Section 3 of the 1991 Order is restated and replaced as follows:

A. The Association shall not originate, purchase, refinance, or commit to originate, purchase or refinance, any:

- (1) land acquisition and development loans;
- (2) land loans;
- (3) speculative construction loans (which shall not be deemed to include loans to finance the construction of single-family residential properties pursuant to contracts of sale to qualified buyers; and
- (4) investor notes.

B. Notwithstanding the foregoing, the Association is permitted to:

(1) originate loans to facilitate the resolution of assets classified adversely or criticized in the ROE or the sale of real estate owned; and

(2) restructure, refinance, extend or modify loans outstanding or legally committed to in connection with any maturing land acquisition and development loans, land loans, speculative construction loans or investor loans provided that the Association uses its best efforts to have the loans repaid at their maturity and the loan files are documented to reflect such actions taken, the loans comply with prudent underwriting standards, and such loans are at market rates and terms and no new funds are advanced except as otherwise provided under the terms of this Amended Order. Any such loans must comply with the provisions of 12 CFR § 563.93 and be approved by the Association's Board as being in the best interests of the Association.

5. Compliance with Order

Section 19 of the 1991 Order is restated and replaced as follows:

A. The Board of Directors and officers of the Association shall take immediate action to cause the Association to comply with the terms of the Amended Order and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of the Amended Order.

B. The Board, on a quarterly basis, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding quarter, the Association has complied with each provision of the Amended Order currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption issued by the Regional Director that were outstanding as of the date of its adoption.

C. The minutes of the meeting of the board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.

D. No later than the 25th calendar day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the effective date of the Amended Order, the Association shall provide to the Regional Director a certified true copy of the Compliance Resolution. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.

6. Definitions

Section 20 of the 1991 Order is modified and restated as follows:

All technical words or terms used in the Amended Order for which meanings are not specified or otherwise provided by the provisions of the Amended Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners Loan Act ("HOLA"), FDIA or OTS

Memoranda. Any such technical words or terms used in the Amended Order and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

7. Successor Statutes, Regulations, Etc.

References in the Amended Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the effective date and references to successor provisions as they become applicable.

8. Notices

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

A. the OTS by the Association, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, Jersey City, NJ 07302, or telecopied to (201)413-7543 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

B. the Association by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Association at P.O. Box 1428, Collingdale, PA 19023 or telecopied to (215) 583-9040 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

9. Duration, Termination or Suspension of Order.

Section 21 of the 1991 Order is modified and restated as follows:

A. This Order shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

B. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Order.

