

UNITED STATES OF AMERICA  
Before The  
OFFICE OF THRIFT SUPERVISION

In the Matter of: )

First State Financial )  
Services, Inc., West Caldwell, )  
New Jersey, )

its Directors, Officers, )  
Employees and Subsidiaries )

Re: Northeast Regional Director  
OTS Resolution No. NE92-57

Dated: June 1, 1992

STIPULATION AND CONSENT TO ISSUANCE  
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Northeast Regional Office, OTS, and First State Financial Services, Inc., West Caldwell, New Jersey, ("First State") by and through its Board of Directors, stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b), against First State. First State, without admitting or denying that grounds exist to initiate such administrative proceedings, desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative litigation against First State with respect to the matters covered in the accompanying Order to Cease and Desist ("the Order").

2. Jurisdiction.

(a) First Dewitt Savings and Loan Association is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. 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). First Dewitt is wholly owned by First State.

(b) Pursuant to Section 3 of the FDIA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a holding company of a savings association. Therefore, First State is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

3. Consent. First State, without admitting or denying that grounds exist for the initiation of administrative cease and desist proceedings, consents to the issuance by the OTS of the accompanying Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA. Upon its issuance by the Regional Director for the Northeast Regional Office, 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. First State waives its right to (i) a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA and to (ii) 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.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Northeast Regional Office, OTS, and First State execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

/S/  
By: \_\_\_\_\_  
Angelo A. Vigna  
Regional Director  
Northeast Regional Office

FIRST STATE FINANCIAL SERVICES, INC.

By: \_\_\_\_\_ /S/  
Director



subsidiaries and employees.

1.01. Compliance with Laws and Regulations

First State shall cease and desist from violations of the following Federal laws and regulations:

(1) Sections 23A, 23B and 22h of the Federal Reserve Act, 12 U.S.C. §§ 371c, 371c-1, 375(b), as applied to savings associations by Section 11 of the Home Owners' Loan Act, 12 U.S.C. § 1468, and Sections 563.41, 563.42, 563.43 and 584.3 of the OTS Regulations, 12 C.F.R. §§ 563.41, 563.42, 563.43 and 584.3 (regarding transactions with affiliates);

(2) Section 563.93 of the OTS Regulations, 12 C.F.R. § 563.93 (regarding loans to one borrower); and

(3) Section 584.2(a) of the OTS Regulations, 12 C.F.R. § 584.2(a) (regarding evasions of law or regulation).

It is further ordered that:

AFFILIATED TRANSACTIONS

2.01. Loan to One Borrower Limitation

First State shall not make any loan which, if made by First Dewitt, would violate the loan to one borrower

regulations, as set forth in section 563.93 of the OTS Regulations, 12 C.F.R. § 563.93.

2.02. Improper Loans and Advances to Affiliates

(a) First State shall cease and desist from engaging in any affiliated transactions with First Dewitt except as permitted by the OTS pursuant to applicable regulations. Before engaging in any affiliated transaction, First State shall obtain written authorization from the Regional Director or his designee. "Affiliated Transactions" shall be defined as set forth in 12 C.F.R. § 563.42(a)(2)(i) through (v) and (3).

(b) First State shall repay the outstanding balance and interest on the University Square Associates loan as expeditiously as possible. On a monthly basis, First State shall report to the OTS, in writing, on the progress of repayment.

BOARD OF DIRECTORS' RESPONSIBILITIES

3.01. Board Review of Compliance With This Order

(a) The Board of Directors of the First State shall take prompt action to cause First State to fully comply with this Order.

(b) Each month, the Board shall adopt a formal resolution (the "Compliance Resolution") resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar month, First State has complied with each provision of this Order currently in effect, except as otherwise stated. In determining whether to adopt the Compliance Resolution, the Board shall be entitled to rely reasonably upon reports furnished by management. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist; and (ii) identify all notices of exemption or other exceptions issued by the Regional Director that were outstanding as of the date of the Compliance Resolution.

(c) No later than five business days after each monthly meeting of the Board of Directors of First State beginning with the end of the first calendar quarter following the Date of this Order, First State shall provide to the Regional Director a certified true copy of each such Compliance

Resolution adapted for the preceding month. The Board, by virtue of the submission of a certified true copy of each 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 First State.

#### DEFINITIONS

4.01. For all purposes of this Order, except as otherwise expressly provided or unless the context otherwise requires, (a) the terms used in this Order have the meanings assigned to them in this Section and include the plural as well as the singular, (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling, (c) all terms not otherwise defined herein that are defined in the HOLA, the Federal Deposit Insurance Act, or the Rules and Regulations of the OTS or its publicly available Bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and advisory memoranda, and (d) all technical words or terms not subject to a definition in this Order shall have the meanings that accord with the best custom and

usage in the thrift and banking industries.

(a) "Board Resolution" means a resolution duly adopted by a disinterested majority of the directors of First State present at a duly called and held meeting of the Board of Directors (or a Committee thereof) at which a quorum was present.

(b) "Business Day" means any weekday excluding Federal holidays.

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

(d) "FIRREA" means the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183.

(e) "HOLA" means the Home Owners' Loan Act, as amended, 12 U.S.C. §§ 1461 et seq.

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

(g) "Regional Director" or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, and refers to the Regional Director of the

Northeast region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

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

4.02. The words "herein", "hereof", and "hereunder" and other words of similar import refer to this Enforcement Order as a whole and not to any particular Part, Section, Paragraph, or other subdivision, unless the context otherwise requires.

#### SUCCESSOR STATUTES, REGULATIONS, GUIDANCE, AMENDMENTS

5.01. Reference in this 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 hereof and references to successor provisions as they become applicable.

#### NOTICES

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

(a) the OTS by First State shall be sufficient for every purpose hereunder if in writing and mailed, first class or airmail postage prepaid or sent via overnight delivery

service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 10 Exchange Place, 18th Floor, Jersey City, New Jersey 07302, or telecopied to (201) 413-7543 and confirmed by mail, first class or airmail postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(b) First State by the OTS shall be sufficient for every purpose hereunder if in writing and mailed, first class or airmail postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to First State at 1120 Bloomfield Avenue, West Caldwell, New Jersey, 07007, or telecopied to the president of First State and confirmed by mail, first class or airmail postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

6.02. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

DURATION, TERMINATION OR SUSPENSION OF ORDER

7.01. This Order shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

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

EFFECT OF HEADINGS.

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

SEPARABILITY CLAUSE.

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

NO VIOLATIONS OF LAW, RULE, REGULATION OR POLICY STATEMENT AUTHORIZED.

10.01. Nothing in this Order shall be construed as allowing First State to violate any law, rule, regulation, or policy statement to which it is subject.

INCORPORATION OF STIPULATIONS.

11.01. The Stipulations are made a part hereof and are incorporated herein by this reference.

EFFECTIVE DATE OF ORDER

12.01. The Order is effective and enforceable immediately upon the date of its issuance by the OTS, which date is set forth below.

IT IS SO ORDERED on this 15<sup>th</sup> day of June, 1992.

THE OFFICE OF THRIFT SUPERVISION  
BY:

/S/

Angelo A. Vigoda,  
Regional Director, Northeast  
Region