

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In The Matter of:)	
)	
NUTMEG FEDERAL SAVINGS AND)	Re: Resolution No. NE92-61
LOAN ASSOCIATION)	Date: June 2, 1992
Danbury, Connecticut)	
)	
OTS No. 07594)	
)	

STIPULATION AND CONSENT TO ISSUANCE
OF ADDENDUM TO ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Northeast Regional Office ("Regional Director"), and Nutmeg Federal Savings and Loan Association, ("Nutmeg" or the "Institution"), 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 against Nutmeg pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b). Nutmeg, desiring to cooperate with the OTS and to avoid the time and expense of such administrative proceedings or litigation, and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and violations of law and regulations, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceedings or litigation

against Nutmeg with respect to the matters covered in the accompanying Addendum to Order to Cease and Desist ("Addendum").

2. Jurisdiction

Nutmeg is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. § 1813(b), 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)(2). Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. § 1813(q)(4), the Director of OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Nutmeg 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

Nutmeg consents to the issuance by the OTS of the Addendum. It further agrees to comply with the terms of the Addendum upon issuance.

4. Finality

The Addendum is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers

Nutmeg waives its right to the notice of charges and the

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ADDENDUM TO ORDER TO CEASE AND DESIST

WHEREAS, Nutmeg Federal Savings and Loan Association, ("Nutmeg" or the "Institution"), through its Board of Directors ("Board"), has executed a Stipulation and Consent to Issuance of Addendum to Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Regional Director for the Northeast Regional Office ("Regional Director"); and

WHEREAS, without admitting or denying any of the alleged charges of unsafe or unsound banking practices and violations of law and regulations, the Institution, in the Stipulation, has consented and agreed to the issuance of this Addendum to Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b);

NOW THEREFORE, IT IS ORDERED that:

(1) Within thirty (30) days of the effective date of this Addendum, Nutmeg shall charge-off or specifically reserve for all assets classified loss during the February 3, 1992 OTS examination.

(2) Within thirty (30) days of the effective date of this Addendum, management shall correct the violations detailed on Pages A-2.1 of the February 3, 1992 Report of Examination.

(3) No later than July 30, 1992, the Board of Directors will fill the vacancy in the Senior Lending Officer position.

(4) Within sixty (60) days of the effective date of this Addendum, the Board shall adopt a plan to reduce the Institution's level of classified assets. Such plan shall include specific target amounts and dates serving as milestones to monitor the progress in reducing the Institution's classified assets, in both gross dollar amounts and as a percentage of assets and tangible capital. Such plan shall be submitted to the Regional Director for comment before final Board of Director approval.

(5) Within thirty (30) days of the effective date of this Addendum, the Institution shall submit to the Regional Director a written plan to assure that Thrift Financial Reports to OTS will contain accurate financial information, reported in conformity with the OTS Thrift Financial Report Instruction Manual and Generally Accepted Accounting Principles.

(6) Within one hundred and fifty (150) days of the effective date of this Addendum, the Board shall develop, adopt and implement a Strategic Business Plan covering at least two full fiscal years, ending December 31, 1993 and 1994. Such plan shall describe the strategic direction of the Institution, including a mission statement, strategic

goals, tactical actions to achieve those goals, and a control system to monitor compliance with the plan and to implement corrective action if performance materially deviates from the plan. Projected average balance sheets, operating statements, and key assumptions (including interest rate assumptions, dividend policy, levels of overhead expense and the like) shall be included in the plan. The Plan shall be presented to the Regional Director for comment prior to adoption by the Board. The Institution shall not materially deviate from the Strategic Plan without prior notice to, and receipt of, comments from the Regional Director.

(7) Within ninety (90) days of the effective date of this Addendum, Nutmeg shall rewrite its Investment and Interest Rate Risk Policies, in conformity with OTS Thrift Bulletin numbers 13 and 13-1, with particular attention paid to the following areas:

(a) acceptable variances regarding market value of portfolio equity and corrective action to be taken if variances fall outside Board adopted parameters;

(b) control of interest rate and principal loss risk in the fixed rate loan portfolio held for sale in the secondary market;

(c) proper accounting for assets held for sale;

(d) accurate internal reporting on the "held for sale" inventory so that the Board is fully informed of the risk characteristics of this segment of the asset portfolio;

(e) establishment of liquidity goals and the tools available to generate asset and liability liquidity;

