

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of:)	Re: New York Regional Director
)	OTS Resolution No. NY-91-2
Fidelity Mutual Savings and)	Dated: March 12, 1991
Loan Association)	
Haddon Township, New Jersey)	
)	
and its Directors, Officers,)	STIPULATION
Employees, and Subsidiaries)	
)	
_____)	

This Stipulation is entered into by and between the Office of Thrift Supervision ("OTS"), a bureau within the United States Department of the Treasury, and Fidelity Mutual Savings and Loan Association, Haddon Township, New Jersey ("Fidelity Mutual").

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 Fidelity Mutual pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended, 12 U.S.C.A. §1818(b) (West 1989), and Fidelity Mutual desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Fidelity Mutual without admitting that such grounds exist, and having considered the attached Order to Cease and Desist (the "Order"), hereby stipulates and agrees to the following terms in consideration of the agreement by the OTS to refrain from initiating an administrative cease-and-desist proceeding against Fidelity Mutual with respect to the matters of concern to the OTS.

2. Jurisdiction.

(a) Fidelity Mutual is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, each as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended, 12 U.S.C.A. §1813(c) (West 1989).

(b) Pursuant to Section 3 of the FDIA, as amended, the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Fidelity Mutual 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, as amended, 12 U.S.C.A. §1818(b) (West 1989).

3. Consent. Fidelity Mutual consents to the issuance by the OTS of the Order. Fidelity Mutual 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, as amended, and upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended, 12 U.S.C.A. §1818(i) (West 1989).

5. Waivers. Fidelity Mutual, following consultation with its counsel, hereby waives the following legal rights:

- (1) the right to be served with a written notice of the OTS's charges against it (referred to as a Notice of Charges and Hearing) (see, e.g., Section 8(b) of the FDIA, as amended);

- (2) the right to an administrative hearing of the OTS's charges against it (see, e.g., Section 8(b) of the FDIA, as amended); and
- (3) the right to challenge the OTS's issuance of the Order, including any such right provided by Section 8(h) of the FDIA, as amended, or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS and Fidelity Mutual upon a resolution duly adopted by its Board of Directors (a copy thereof is attached hereto), hereby execute this Stipulation.

OFFICE OF THRIFT SUPERVISION

FIDELITY MUTUAL SAVINGS AND LOAN ASSOCIATION

By:

By: A majority of its directors

Angelo Vigna
Regional Director

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OFFICE OF THRIFT SUPERVISION

By:

/S/

~~Angelo Vigna~~
Regional Director

FIDELITY MUTUAL SAVINGS AND
LOAN ASSOCIATION

By: A majority of its directors

/S/

~~R. Peter Brandt~~ Director

/S/

~~Eugene Raymond, III~~ Director

/S/

~~James C. Lombardi~~ Director

/S/

~~Richard J. Juban~~ Director

/S/

~~Stephen R. Selverian~~ Director

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)	Re: New York Regional Director
)	OTS Resolution No. NY-91-2
Fidelity Mutual Savings and)	Dated: March 12, 1991
Loan Association)	
Haddon Township, New Jersey)	
)	
and its Directors, Officers,)	ORDER TO CEASE AND DESIST
Employees, and Subsidiaries)	
)	
)	

WHEREAS, Fidelity Mutual Savings and Loan Association ("Fidelity Mutual" or the "Association"), Haddon Township, New Jersey, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist (the "Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), a bureau within the United States Department of the Treasury; and

WHEREAS, the Association, by execution of the Stipulation, has consented and agreed to the issuance of this Cease-and-Desist Order ("Order"), which is an order to cease and desist issued by the OTS pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. §1818(b).

NOW, THEREFORE, the OTS issues this Order to the Association and its directors, officers, employees, and subsidiaries.

PART I

Compliance with Laws and Regulations

1. (a) The Association shall comply with Section 563.170 of the OTS Regulations, 12 C.F.R. §563.170 (regarding record maintenance requirements).

- (b) The compliance requirements of subparagraph (a) hereof shall not be construed as an authorization for the Association to engage in the activities governed by the aforesaid laws, rules, and regulations, and the Association shall, at all times, comply with and adhere to the more strict restrictions, limitations, and requirements otherwise set forth in this Order.

PART II

Affirmative Corrective Action

Section 2.01. Internal Control System

1. Within sixty (60) days of the date of this Order, Fidelity Mutual will establish an internal control system which will incorporate the plan, procedures, and records that management uses in making decisions and that serves to maintain reliable financial records and to safeguard assets. The internal control system is to be applied to all departments of the institution.

The internal control system shall at a minimum include the following:

- (a) An organizational plan that segregates functional responsibilities appropriately;
- (b) Sound policies and procedures to be followed in performance of the duties and functions of each department;
- (c) A system of authorization and recording procedures that assures reasonable control of assets, liabilities, income, and expenses, and,
- (d) Personnel who are competent to carry out assigned responsibilities.

2. In order to ensure that an adequate internal control system is in place and operational, Fidelity Mutual shall, within 30 days of the establishment of the internal control system, as outlined in paragraph 1 of this Section 2.01, have such internal control system reviewed by an OTS-approved independent consultant, who shall issue a report to the board of directors commenting on the effectiveness of the internal control system and whether it meets the minimum standards detailed in paragraph 1 of this Section 2.01. A copy of this report is to be forwarded to OTS.

Section 2.02. Organizational Plan

1. Within sixty (60) days of the date of this Order, the Association shall establish a current organizational chart, to be updated no less than annually, specifying each department within the organization. Such current organizational chart shall incorporate the following:

- (a) The name and title of each officer and a delineation of the officer's responsibilities;
- (b) The reporting responsibilities of each officer to each individual officer at the next higher level of management;
- (c) For any officer of Fidelity Mutual, a description of that officer's educational background, professional designation(s), work experience,

and responsibilities previous to the assumption of the officer's current position with Fidelity Mutual; and

- (d) The name, title, educational background, relevant work experience, and responsibilities of each individual currently employed by Fidelity Mutual in the internal audit department.

2. Within sixty (60) days of the date of this Order, the Association shall establish a written job description for each employee in each department of the Association.

3. Within ninety (90) days of the date of this Order, the board of directors shall submit the organizational chart and written job descriptions to OTS.

Section 2.03. Books and Records

1. Fidelity Mutual shall maintain such accounting records and other records required by section 563.170(c) of the OTS Regulations in order to provide an accurate, complete and timely record of all the business transacted at Fidelity Mutual and its service corporations. The documents, files and other material comprising such records shall at all times be available for examination and/or audit.

2. Within sixty (60) days of the date of this Order, Fidelity Mutual shall establish and maintain policies and procedures for the accounting function, which shall include procedures to ensure the following:

- (a) Journal entries are promptly posted to the general ledger accounts on a daily basis;
- (b) General ledger accounts are subject to a monthly accrual adjustment, adjusted consistently, and the resulting balances are compared to the balances of the supporting documents or schedules to determine the completeness and accuracy of the postings;
- (c) Subsidiary ledgers reconcile to the general ledger and supportive documentation is maintained regarding the reconciliation of ledgers;
- (d) Bank accounts reconcile to the general ledger and appropriate adjustments are made for any and all unallocated differences;
- (e) Periodic reports to the OTS are prepared in accordance with outstanding instructions; and
- (f) Items in suspense are cleared within a reasonable period of time, but in no event more than three (3) months, and reconciliations of the suspense accounts are maintained.

Section 2.04. Internal Audit

1. Within fifteen (15) days of the date of this Order, the Association will select, and submit to OTS for non-objection, a qualified independent auditor or consultant, whose responsibility will be to design an internal audit program ("Program"). The Association shall provide the following information on its proposed selection:

- (a) Name of firm or individual,
- (b) Background and qualifications, and
- (c) Costs to be incurred.

2. Within sixty (60) days of receipt of non-objection from OTS to the Association's selection of an auditor or consultant, the Association shall formulate, adopt, and submit to OTS a description of an internal audit program designed to correct internal control and recordkeeping deficiencies. The Program shall, at a minimum, include the following provisions:

- (a) Within thirty (30) days of the date of this Order, the Association shall establish an Audit Committee (the "Committee") consisting of at least three directors who are not also officers of Fidelity Mutual. The duties of the Committee shall be to:
 - (i) Oversee compliance with the Program developed pursuant to section 2.04 of this Order;
 - (ii) Establish relations and communicate with the independent auditor;

- (iii) Establish policies to assure full disclosure of financial condition;
and
 - (iv) Meet at least monthly, and minutes of these meetings each be maintained at the Association.
 - (b) The internal auditor shall be responsible for implementing and monitoring the Program. The internal auditor shall report all findings and developments directly to the Committee.
 - (c) The Program will address matters of physical and accounting controls designed to correct the areas of weaknesses detected in Fidelity Mutual's most recent audits and examination reports.
2. The internal audit function shall be enhanced and expanded to ensure both adequate frequency and scope, particularly in the areas of:
- (a) accounting policies and procedures;
 - (b) service corporation activities;
 - (c) loan sales and purchases;
 - (d) investments;
 - (e) real estate owned;
 - (f) asset review/classification;
 - (g) general and specific valuation allowances; and
 - (h) deposit accounts.

3. Within thirty (30) days of the date of this Order, the Association will select and submit to OTS for non-objection, a public accountant (other than the public account or firm that performs the Association's annual audit) or full-time salaried employee or officer of the Association, to perform the internal audit function, who shall report and be accountable directly to the Audit Committee of the board of directors. The Association shall provide the following information on its selection:

- (a) Name of firm or individual,
- (b) Background and qualifications, and
- (c) Costs to be incurred.

PART III

Miscellaneous Provisions

Section 3.01.

Within thirty (30) days of the date of this Order, Fidelity Mutual will provide the OTS with the names of personnel responsible for complying with each provision of this Order, along with a timetable for action. On a monthly basis, Fidelity Mutual shall provide OTS with an update on the status of corrective efforts in regard to this Order.

Section 3.02.

The Stipulation is made a part hereof and is incorporated herein by this reference.

Section 3.03.

All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by the provisions of this Order, shall, insofar as applicable, have meanings as defined in the regulations, policy statements, or bulletins issued by the OTS (many of which are codified at Chapter V of Title 12 of the Code of Federal Regulations), and any such technical words or terms used in this Order and undefined in said regulations, policy statements, or bulletins shall have meanings that accord with the best custom and usage in the savings and loan or banking industries, as applicable. For purposes of this Order, all references to regulations, policy statements, bulletins, memoranda and publications shall include any successor regulations, policy statements, bulletins, memoranda and publications.

Section 3.04.

This 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 12th day of March,
1991.

THE OFFICE OF THRIFT SUPERVISION

By:

/S/

ANGELO A. VIGNA
Regional Director, OTS NY

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