

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Re: Northeast Regional Director
FAMILY FIRST FEDERAL)	Resolution No. NY-91-
SAVINGS BANK,)	Dated: June 3, 1991
Clifton, New Jersey,)	STIPULATION
and its Directors, Officers,)	
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 Family First Federal Savings Bank ("Family First"), Clifton, New Jersey.

1. Consideration. The OTS, based upon information reported to is, is of the opinion that grounds exist to initiate an administrative cease-and-desist proceeding against Family First pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended, as amended, 12 U.S.C.A. § 1818(b) (West 1989),¹ and Family First desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation. Family First, without admitting or denying that such grounds exist, and having considered the attached Consent Order (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 Family First with respect

1. The FDIA was amended on August 9, 1989, by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73, 103 Stat. 183.

to the matters of concern to the OTS that are identified in the OTS's Report of Examination for the examination of Family First commenced on May 29, 1990.

2. Jurisdiction.

(a) Family First is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act. 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, Family First 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. Family First consents to the issuance by the OTS of the Order. Family First further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirement 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. Family First 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 Family First, upon a resolution duly adopted by its Board of Directors (a copy of which is attached hereto), hereby execute this Stipulation.

OFFICE OF THIRFT SUPERVISION

By:

/S/

Date:

6/3/91

Robert Albanese
Regional Deputy Director

FAMILY FIRST FEDERAL SAVINGS BANK

By its President:

~~and the undersigned~~ directors of Family First:

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CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Family First Federal Savings Bank (the "Association") hereby certify that the following is a true copy of a resolution duly adopted by its Board of Directors at a meeting duly called and held on MAY 29, 1991; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

I further certify that all members of the Board of Directors were present and voting and that all members of the Board of Directors voted in favor of the resolution;

RESOLUTION

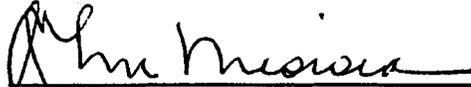
WHEREAS, the OTS believes that the Association has violated certain of the laws or regulations to which the Association is subject and/or has engaged in unsafe and unsound practices in conducting the business of the Association, and that it is appropriate to require the Association to take the corrective actions that are set forth in the proposed Consent Order ("Order"), attached to the minutes of the meeting of the Board of Directors held on MAY 29, 1991, to remedy such violations and practices; and

WHEREAS, without indicating agreement with such opinion of the OTS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that it has the intent and ability to: (1) comply with all applicable laws and regulations; (2) engage in safe and sound practices; and (3) maintain the Association in a safe and sound condition, consistent with its fiduciary duties owed to the Association and its depositors; and

WHEREAS, all of the directors present at the meeting of the Board of Directors have read and considered the proposed Order, and in the interest of regulatory compliance and cooperation, all of the directors of the Association are willing to enter into the attached Stipulation ("Stipulation") and Consent, by which the Board of Directors consents to the issuance of the Order;

NOW, THEREFORE BE IT RESOLVED, that the proposed Order and Stipulation, copies of which are attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Board of Directors of the Association. The officers and employees of the Association are directed and authorized to take all necessary steps to implement immediately the terms of the Order and to comply with such Order.

IN WITNESS WHEREOF, I have hereto subscribed my name and
affixed the seal of the Association on this 29TH day of
MAY, 1991.


Name: JOHN MESISCA
Title: SECRETARY

(SEAL)

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
FAMILY FIRST FEDERAL)	Re: Northeast Regional Director
SAVINGS BANK,)	Resolution No. NY-91-7
Clifton, New Jersey,)	
and its Directors, Officers,)	Dated: June 3, 1991
Employees, Service Corporations,)	
and Subsidiaries)	CONSENT ORDER

WHEREAS, Family First Federal Savings Bank ("Family First" or the "Bank"), Clifton, New Jersey, by and through its directors has executed the attached Stipulation (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, Family First, by execution of the Stipulation, has consented and agreed to the issuance of this Consent Order ("Order"), which is an order issued by the OTS pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended, 12 U.S.C.A. § 1818(b) (West 1989).¹

NOW THEREFORE, the OTS, Family First and its directors, officers, employees, service corporations and subsidiaries agree to the entry of said Order.

1. The FDIA was amended on August 9, 1989 by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA").

1. Compliance with laws and regulations.

(a) The Bank agrees to comply with, and the Bank's Board of Directors shall take all necessary action for bringing about compliance by the Bank and its subsidiaries and affiliates, with the following Federal laws and regulations:

- (1) Section 545.46 of the OTS Regulations, 12 C.F.R. § 545.46 (regarding commercial loan limitations);
- (2) Section 563.43 of the OTS Regulations, 12 C.F.R. § 563.43 (regarding restrictions on loans and other transactions with affiliated persons of insured savings associations);
- (3) Section 11 of the Home Owners' Loan Act ("HOLA"), as amended by FIRREA, 12 U.S.C.A. § 1468 (West 1989)(incorporating Sections 22(h), 23A and 23B of the Federal Reserve Act, 12 U.S.C.A. §§ 375b, 371c, 372c-1 (West 1989) (regarding restrictions on loans and other transactions with executive officers and affiliates));
- (4) Section 563.93 of the OTS Regulations, 12 C.F.R. § 563.93 (regarding loans-to-one borrower restrictions);
- (5) Section 563.160 of the OTS Regulations, 12 C.F.R. § 563.160 (regarding internal asset classification system requirements);
- (6) Section 563.170 of the OTS Regulations, 12 C.F.R. § 563.170 (regarding record maintenance requirements);

(7) Section 563.176 of the OTS Regulations, 12 C.F.R. § 563.176 (regarding interest rate risk management policy requirements);

(8) Section 571.7 of the OTS Regulations, 12 C.F.R. § 571.7 (regarding conflicts of interest).

(b) The compliance requirements of this Order shall not be construed as an authorization for the Bank to engage in the activities governed by the aforesaid laws, rules, and regulations. To the extent that it is lawful for the Bank and its affiliates to engage in such activities, and if provisions of this Order set forth more strict restrictions, limitations, and requirements than are set forth in applicable laws and regulations, then, under such circumstances, those activities shall be subject to the stricter restrictions, limitations, and requirements set forth in this Order.

2. Restrictions on Loans and Investments.

(a) Except (i) as otherwise specifically permitted by this Paragraph 3, or (ii) with the prior written notice of non-objection from the OTS (acting by and through its Regional Director Director or his designee), or (iii) for written loan commitments by the Bank which were outstanding and enforceable against the Bank as of the date on which this Order was issued, neither Family First nor any subsidiary thereof shall, directly or indirectly, make, invest in, purchase, sell, refinance, extend or otherwise modify loans or loans-in-process or otherwise extend any credit to any person or entity.

(b) The Bank and its subsidiaries, in accordance with written policies and procedures adopted by their respective Boards

of Directors, may make or purchase the following types of loans and loan-related investments:

(i) qualifying mortgage loans, within the meaning of Section 567.1(u) of the OTS Regulations, 12 C.F.R. § 567.1(u);

(ii) loans fully secured by deposit accounts maintained at Family First;

(iii) home equity loans and second mortgage loans on primary residences where the aggregate amount of debt secured by the borrower's home at no time exceeds more than 70 percent of the appraised market value of the security property provided;

(iv) education loans, guaranteed or insured under a Federal or State education loan program;

(v) consumer loans, provided that the aggregate amount of all unsecured loan funds shall not exceed more than \$7,500 to any one borrower including any member of the immediate family of such borrower (immediate family shall be construed within the meaning of 12 C.F.R. § 561.24);

(vi) consumer loans secured by a first lien against a passenger motor vehicle;

(vii) obligations issued by the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation; and

(viii) advances necessary to honor legally binding commitments existing as of the date of the Order to fund loans or loans-in-process ("LIP"), provided that the Bank complies with the requirements of subparagraphs (b) and (c) hereof;

(ix) overnight investments in Federal fund loans;

and

(x) renewals of existing loans and lines of credit, provided that such renewals do not result in additional extensions of credit.

(xi) When renewing existing loans and lines of credit, the Bank shall make its best good faith effort to bring nonconforming loans into conformance with the loans to one borrower limitations contained within 12 C.F.R. § 563.93.

(c) The Bank shall forward to the Regional Director within 30 days of the effective date of the Order a list of its LIP obligations, loan commitments and commercial lines of credit existing as of the date of the Order that the Bank seeks to fund pursuant to the exception set forth in subparagraph (b)(viii) hereof. This list shall include:

(i) the amount and type of commitment or LIP (including whether it is a firm commitment or a standby commitment);

(ii) the date on which the commitment was issued;

(iii) the identity of the borrower and the aggregate amount of other outstanding loans or commitments and LIPs to the borrower;

(iv) the type, location, and most recent appraised value of the security property;

(v) the schedule of anticipated funding of the commitment or the LIP;

(vi) the amount of any commitment fee received (specifically identified by its related borrower) and the date of such receipt; and

(vii) the amount and portion of interest and fees

funded by loan proceeds, if any.

(d) For any commitment or LIP of \$100,000 or more, the Bank shall forward to the Regional Director within 30 days of the effective date of this Order, a schedule summarizing the written opinion(s) from independent legal counsel setting forth the following:

(i) each commitment and LIP which has been reviewed;

(ii) a statement indicating that each such commitment or LIP, in the opinion of counsel, does or does not constitute a legally binding obligation of Family First that could be enforced in a court of law by the party to whom the commitment or LIP is made; and

(iii) a statement opining that the honoring of such commitment and LIP will not cause the Bank to violate any laws or regulations applicable to it.

(e) Before the Bank engages in any lending or investment activity that requires the non-objection of the Regional Director pursuant to subparagraph (a) hereof, the Board of Directors with respect to such lending or investment activity shall duly adopt and submit to the Regional Director, a resolution providing as follows:

(i) Family First's management is capable of underwriting and administering the loans or investments in a safe and sound manner;

(ii) Family First's Board of Directors has adopted policies and procedures to ensure that the loans or investments are prudently underwritten and administered;

(iii) Family First has implemented internal controls to assure compliance with such policies and procedures; and

(iv) with respect to commercial loans, an independent qualified third party, other than Family First's current external or internal auditor, has reviewed the Bank's policies and procedures and that the Bank has considered and implemented such third party's recommendation.

All documentation considered by the Board of Directors in adopting each such resolution shall be explicitly referenced in the minutes of the meeting at which the resolution was adopted and shall be made available to representatives of the OTS upon request. The copy of each resolution submitted to the OTS's Regional Director shall be signed by each of the directors who voted in favor of adopting the resolution.

3. Loan Documentation

(a) Family First shall obtain and maintain the following documentation at the Bank for the purpose of evaluating the basis for loan approvals, the collectability of loan participations or any other interest in loans, and the viability of projects securing loans.

(i) all records and documentation required by 12 C.F.R. 563.170 and 12 C.F.R. Part 564 (regarding appraisals);

(ii) the credit approval memorandum, which shall include the date of approval, the name of the borrower, the loan amount, term, interest rate, repayment or prepayment terms, and conditions of approval;

(iii) the borrower's name, address, credit

references and credit checks;

(iv) descriptions, location and cost of real estate security, actual or estimated cost of construction, if applicable;

(v) if a loan is secured by an interest in real property, an appraisal report, prepared for and at the direction of Family First, or, in the case of participations, at the request of the lead bank, which report shall comply with the requirements of 12 C.F.R. Part 564;

(vi) for construction, condominium conversion or loans of a similar purpose involving a change in the property and its subsequent sale, a report documenting the feasibility of the project as a profit making venture (this report may be either as part of or separate from the appraisal);

(vii) for loans secured by machinery, equipment, accounts receivable, furniture, fixtures and/or inventory, periodic inspection, aging and valuation reports on the collateral, as applicable;

(viii) written documentation of Family First's review and evaluation of the appraisal report, feasibility study, if applicable, and borrower's financial statement;

(ix) written documentation of Family First's review and evaluation of the loan's compliance with the documentation requirements of 12 C.F.R. § 563.170 and the Board-approved underwriting policies.

(b) Family First shall obtain and maintain periodic financial statements from borrowers who receive commercial loans for the purpose of evaluating the basis for loan approvals, the

collectability of loan participations or any other interest in loans, and the viability of projects securing loans

(c) This paragraph 4 applies equally to loans, participations and any other interest in loans brokered or sold to Family First by any of its subsidiaries, or outside third parties, as well as to loans, participations and any other interest in loans committed, purchased, restructured, or modified by Family First and its subsidiaries, but only where such loan, participation, or interest was committed, purchased, restructured, renewed, or modified after the date of the Order.

4. Limitation on Aggregate Investment in Commercial Loans

Notwithstanding any other limitation, restriction or exception contained in this Order, the Bank will not originate or commit to originate any commercial loan, which would result in ratio of total commercial loans to total assets of greater than 10%.

5. Internal Loan Review; Specific Valuation Allowances.

(a) Within fifteen (15) days following the effective date of this Order, Family First shall by principal reduction, charge-off, or the establishment of specific allowances, cause its accounting records to conform with the OTS asset valuations for each of its assets (or portions thereof) classified "Loss" by the OTS as reflected in the OTS Report of Examination of Family First as of May 29, 1990 (the "1990 Examination Report").

(b) Within thirty (30) days from the Bank's receipt of any subsequent Report of Examination from the OTS, the result of which shall be subject to appeal to the Regional Director, the Bank shall establish such specific loss allowances (or other

charge-off entries) so as to cause the Bank's accounting records for its assets to conform with the "Loss" classifications in said Report of Examination.

(c) Within ninety days following the effective date of this Order, the Bank, pursuant to 12 C.F.R. § 563.160, shall establish an independent, effective asset review program, which must be administered by Bank personnel who are independent of the lending function of the Bank and who report directly to the Bank's Board of Directors (or an appropriate committee thereof). The internal asset review program shall establish procedures that are intended to ensure that the Bank appropriately classifies its assets for the purpose of maintaining an adequate and prudent level of general valuation allowances and specific valuation allowances relative to its assets. The Board of Directors, within 90 days of the effective date of this Order, shall provide the Regional Director with copies of the following:

(i) a description of the asset review function that has been established, including the identity of the individual(s) assigned responsibility for ensuring that credit risk is accurately identified on a timely basis;

(ii) a board resolution which states that management is adhering to the Bank's asset classification policy; and

(iii) the minutes of the board meeting at which the resolution, referred to above, was adopted. All documentation considered by the Board of Directors in adopting such resolution shall be explicitly referenced in the minutes of the meeting at which the resolution was adopted and the methodology utilized by

the board should be clearly expressed in the board meeting minutes.

6. General Valuation Allowances

(a) Within fifteen (15) days from the effective date of this Order, Family First shall make such accounting entries as are necessary to increase the total amount of its general valuation allowance ("GVA") to at least \$1,033,000, and it shall thereafter maintain an adequate GVA.

(b) Within 30 days from the date of the Order, Family First's Board of Directors shall adopt a method to assess the adequacy of Family First's GVA that gives consideration to the volume and composition of the loan portfolio not subject to regulatory classification, as well as to the volume and composition of regulatorily classified assets. Thereafter, Family First's Board of Directors shall, during each quarter, re-evaluate the allowances for loan losses and make such additional provisions for loan losses that are, in the judgment of the Board, necessary to maintain the allowances at an adequate level relative to the level of risk in Family First's loan portfolio. All such additional provisions for loan losses shall be made in the calendar quarter in which the deficiency in the allowance is identified, and shall be reflected in the Thrift Financial Reports filed in such calendar quarter. The minutes of the Board of Directors of Family First shall reflect that it has performed such re-evaluation. Family First shall submit documentary proof of the method it has employed in determining the level of its allowances to the Regional Director on a quarterly basis beginning June 30, 1991.

7. Classified Asset Program

(a) Within 60 days of the effective date of the Order, the Bank's Board of Directors shall establish a plan (the "Asset Management Plan") for managing its problem assets, e.g., slow loans and nonaccrual loans, in a prudent manner intended to maximize the Bank's recovery on the assets. The Asset Management Plan will include the assignment of responsibility to a committee of the Board of Directors to monitor management's handling of the problem assets (the "Asset Management Committee").

(b) Within 90 days of the date of this Order, the Board of Directors of Family First shall adopt and implement a written program with regard to each asset and contingent liability subject to OTS asset-classification ("criticized asset") in the 1990 Examination Report, for the purpose of correcting the deficiencies/weaknesses with respect to each such asset as has been identified in the 1990 Examination Report. Each program shall include, at a minimum, an assessment of the status of each criticized asset, the proposed action for eliminating the basis of criticism, and the time frame for its accomplishment. Family First shall submit to the Regional Director a copy of the program for each criticized asset in amount of \$250,000 or more.

(c) Within 30 days following its receipt of any OTS Report of Examination about the Bank, and subject to any then applicable rights of review available to the Bank by regulation, the Bank's Board of Directors shall adopt and implement written programs, in the manner described in subparagraph (b) hereof, for any assets and contingent liabilities criticized in said Report. Upon request of the OTS, the Board of Directors shall provide

copies of such programs to the OTS.

(d) The Asset Management Committee shall monitor each loan (or other asset) classified in the 1990 Examination Report (or in subsequent examination reports), and, on at least a quarterly basis, shall prepare a written status report regarding such loans and assets. Beginning with the quarter ending June 30, 1991, the Bank, within thirty (30) days following the close of each quarter, shall submit to the OTS the most recent written status reports prepared by the Asset Management Committee.

(e) For purposes of this Order, the term "criticized asset" means any asset or group of related assets or portion thereof, listed as "Special Mention", "Substandard", or "Doubtful" in any OTS Report of Examination of Family First.

8. Loans to One Borrower Limitations.

(a) Within 60 days of the effective date of this Order, the Bank's Board of Directors shall adopt and begin implementation of a plan to cause the Bank to use its best good faith efforts to reduce the level of its investment in the loans identified at pages A-15.1 through A-15.5 of the 1990 Examination Report so as to cause the aggregate amount of its loans outstanding to each "one borrower" to be in an amount less than its loans-to-one-borrower limitation under 12 C.F.R. § 563.93. Family First shall make its best good faith effort to bring nonconforming loans into conformance with the loans to one borrower limitations contained within 12 C.F.R. 563.93. Within 30 days following the close of each quarter, beginning with the quarter ending June 30, 1991, the Bank shall submit to the Regional Director a detailed written report identifying the actions undertaken by the Bank to

comply with the requirements of this Paragraph 9.

(b) Within 60 days of the effective date of this Order, the Bank's Board of Directors, by duly adopting one or more resolutions, shall cause the Bank to adopt, implement, and adhere to internal written policies intended to ensure the Bank's compliance with the regulatory Loans-to-One-Borrower limitations.

9. Restrictions on Asset Growth and Capital Distributions.

Except with the prior written notice of non-objection from the OTS (acting through its Regional Director or his designee) the Bank shall not: (i) cause or permit its total assets to exceed the amount reported on its Thrift Financial Report as of March 31, 1991, except that such total assets may increase solely in an amount equal to the net interest credited to its deposit liabilities; or (ii) pay any dividends or otherwise make any capital distributions.

10. Liquidity.

Within 30 days of the effective date of this Order, Family First shall submit two liquidity contingency plans: one for short term (less than one year) and the other for long term (over one year) liquidity contingencies. These plans shall address all available sources of liquidity (including) credit as of the date of the plan. In addition, the liquidity contingency plan should be specific as to the particular sources of credit availability, the amount of credit available from each source, the expected maturity and the corresponding amount of collateral needed to secure each source of funds.

11. Loans to Affiliated Persons

(a) Except (i) with the prior written notice of

non-objection from the OTS (acting by and through its Director or his designee) or (ii) as otherwise permitted by subparagraph 11(b) hereof, neither the Bank nor any subsidiary thereof shall, directly or indirectly, make any loans or otherwise extend any credit to any "affiliated person" of the Bank (or any affiliate thereof) within the meaning of the OTS Regulation 12 C.F.R. § 561.5. The limitations hereof are intended to expand and not to limit the restrictions set forth in the HOLA, Federal Reserve Act, and the regulations of the OTS.

(b) The limitations of subparagraph (a) hereof shall not prevent the Bank (or any subsidiary thereof) from making any lawful loan to an affiliated person where the loan is of the following types: (i) an education loan guaranteed or insured under a government program; and (ii) an owner-occupied, first lien residential home loan provided that the principal amount of such loan does not exceed 80 percent of the appraised market value of the security property, provided, however, that such loan may not exceed 90 percent of the appraised market value of the security property if private mortgage insurance is obtained for the amount in excess of 80 percent of the appraised market value, and, provided further, that such loans may exceed 80 percent of the appraised market value of the security property to the extent that they are insured or guaranteed by the Federal Housing Administration or the Veterans Administration.

12. Code of Ethics.

Within 60 days of the effective date of this Order, the Bank's Board of Directors shall adopt a written code of ethics and a written policy addressing transactions with affiliated persons

designed to address and prevent conflicts of interest and ensure compliance with OTS regulations regarding transactions with affiliated persons as cited under 12 C.F.R. § 571.7. Within five (5) business days following the adoption of the Code of Ethics and policy regarding transactions with affiliated persons, the Bank shall submit a copy of each to the OTS Regional Director, who may indicate approval or disapproval of such Code and policy.

13. Information about Directors and Senior Officers.

(a) The Bank's Board of Directors shall require each of the Bank's directors and senior executive officers, within the meaning of OTS Thrift Bulletin 45 ("TB 45"), to submit to it, within 30 days of the date of this Order, a signed, complete and accurate biographical and financial report in the format required by TB 45. Within 60 days of the effective date of this Order, the Bank's Board of Directors shall submit a copy of each of the TB 45 reports to the OTS Regional Director.

(b) The Bank is deemed to be in "troubled condition" for the purposes of Section 914 of FIRREA, 12 U.S.C.A. § 1831i (West 1989), and TB 45. Accordingly, prior to adding directors or hiring senior executive officers, the Bank shall comply with the regulatory notification requirements of FIRREA Section 914 and TB 45.

14. Business Plan and Budget.

(a) Within ninety (90) days following the effective date of this Order, the Bank's Board of Directors shall amend the Bank's business plan to include, at a minimum, the following items:

(i) an orderly plan for future growth;

(ii) specific goals and targets for each department, including provisions for staffing requirements or peripheral services needed to achieve these goals;

(iii) contingency plans in the event that original assumptions or projections prove to be incorrect; and

(iv) identification of the management officials responsible for implementing the business plan.

(b) Within thirty (30) days following the effective date of this Order, the Bank's Board of Directors shall amend the Bank's budget to reflect its actual operating position, taking into consideration actual net income, provisions for loan losses, loans in excess of anticipated budget growth, and to the extent feasible, changes in interest rates. In addition, the Bank's Board of Directors shall cause the Bank to adopt and implement monitoring procedures with respect to budget variances to be performed on at least a quarterly basis.

15. Compliance Review Committee

(a) Within thirty (30) days following the effective date of this Order, the Board of Directors shall appoint a Compliance and Management Review Committee (the "Compliance Committee"), which shall be comprised of at least three outside directors who are not now, and have never been, involved in the daily operations of Family First, and whose composition is not objectionable to the OTS Regional Director.

(b) The Compliance Committee shall monitor the Bank's compliance with the Order. Commencing within sixty (60) days following the effective date of this Order, and at quarterly intervals thereafter, the Compliance Committee shall prepare and

present to the Board of Directors a written report of its findings, detailing the form, content, and manner of the actions Family First has taken to comply with the Order. Each report shall also include the Compliance Committee's recommendations for the Bank's continued and/or improved compliance. Family First shall include the Compliance Committee's reports in the minutes of the Board of Directors and shall submit such Committee reports to the Regional Director on a quarterly basis.

(c) The Compliance Committee shall meet at least monthly and shall keep minutes and exhibits of its meetings. On a monthly basis, the Bank shall submit to the OTS Regional Director a copy of the Compliance Committee's minutes for the preceding month.

16. Technical terms and Definitions.

(a) 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 or to be codified at Chapter V of Title 12 of the Code of Federal Regulations), and any such technical words or terms used in the 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 the Order, all references to regulations, policy statements, bulletins, memoranda and publications shall include any successor regulations, policy statements, bulletins, memoranda and publications.

(b) As used herein the term "Regional Director" refers to the undersigned Regional Director of the Northeast Regional office of the OTS and any designee for or successor to said Regional Director.

17. Calendar Days. All references to time deadlines contained herein shall be calculated by using calendar days.

18. OTS Reservation of Power. Nothing in the Order shall be construed to limit in any way OTS' ability to take such other appropriate enforcement action, as the OTS determines may be authorized by the Home Owners' Loan Act or the FDIA, against any institution-affiliated party of the Bank, within the meaning of 12 U.S.C. § 1813(u), whenever the OTS, in its sole discretion, deems such action appropriate.

19. Effective Date. 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 3rd day of June, 1991.

OFFICE OF THRIFT SUPERVISION
By

/S/

Robert Albanese
Regional Deputy Director