

2. OTS Findings.

The following findings, which concern the Bank's operations from July 1, 2005, through May 31, 2006, are based on the OTS's examination of the Bank that started on February 13, 2006:

- (i) The Bank (including officers, employees, and agents acting on its behalf) has engaged in unsafe or unsound practices and has violated various law and regulations to which it is subject, including 12 C.F.R. §§ 560.101 (real estate lending standards), 560.93 (lending limits), 560.160 (asset classification), 560.170 (records for lending transactions), 562.2 (requiring accurate regulatory reports), 563.180 (requiring the provision of accurate information to the OTS, and requiring the filing of Suspicious Activity Reports), 563.200 (conflicts of interest), 563.177 (requiring an effective anti-money laundering program), and 31 C.F.R. §§ 103.33 and 103.100 (Treasury Department/FinCEN regulations under the Bank Secrecy Act and the USA Patriot Act).
- (ii) The Bank failed to comply fully with various conditions imposed in writing by the OTS in OTS Order No. 2004-40, dated August 4, 2004. This is because, among other things, (i) the Bank had various activities performed for it by staff of Golden First Mortgage Corporation (an affiliated company), and (ii) the Bank has failed to submit to the OTS audited annual financial statements regarding its financial activities during 2005.
- (iii) The OTS further finds: (i) internal control deficiencies, (ii) information technology weaknesses, and (iii) weaknesses in the oversight of the Bank's management and operations by the Bank's Board of Directors.

3. Consent.

(a) The Bank hereby consents to the issuance by the OTS of the Order.

(b) The Bank further agrees to comply with the terms of the Order upon its issuance. The Bank further stipulates and agrees that the Order complies with all requirements of law, as applicable.

4. Finality.

The Order is issued by the OTS under the authority of 12 U.S.C. § 1818(b). Upon the issuance of the Order by the OTS, acting by and through the undersigned Regional Director (which term also shall refer to the Regional Director's authorized designees), the Order shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Bank hereby waives the following:

- (i) The right to be served with a written notice of the OTS's charges;
- (ii) The right to an administrative hearing of the OTS's charges concerning the basis for issuance of the Order;
- (iii) The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (iv) Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under federal statutes (*e.g.*, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412), under common law, or otherwise.

6. Other Government Actions Not Affected.

The Bank acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Bank that arise pursuant to this action or otherwise, and that may be or have been brought by any other government entity other than the OTS. The Bank further acknowledges and understands that its stipulation and consent to issuance of the Order only settles the contemplated administrative cease-and-desist action against the Bank that the OTS has indicated that it could have started, pursuant to 12 U.S.C. § 1818(b), based on the specified findings summarized at paragraph 2 of this Stipulation (summarizing findings in the confidential OTS 2006 Report of Examination issued to the Bank on February 12, 2007). Upon the OTS's issuance of the Order, the restrictions imposed on the Bank by the OTS on July 10, 2006 (with subsequent written modifications) shall be superseded by the restrictions and requirements set out in the Order.

7. Miscellaneous.

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

(b) The Bank's Board of Directors of the Bank has duly authorized the Bank to execute this Stipulation and to consent to the OTS's issuance of the Order. The Bank is submitting herewith a certified copy of said duly adopted board resolutions.

(c) All references to the OTS in this Stipulation and in the Order shall also mean any of the OTS's successors and assigns.

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
GOLDEN FIRST BANK)	Order No. NE-07-07
Great Neck, New York (OTS No. 17974))	Date: May 24, 2007

ORDER TO CEASE AND DESIST

WHEREAS, **GOLDEN FIRST BANK**, Great Neck, New York (OTS No. 17974, the "Bank") has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (the "Stipulation"); and

WHEREAS, the Bank, by its execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to 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 consent orders on behalf of the OTS pursuant to provisions of Section 8 of Federal Deposit Insurance Act, 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED as follows:

PART I

1.01. Compliance With Laws and Regulations and with Written Conditions. The Bank and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of any violation of the following laws and regulations:

- i) 12 C.F.R. § 560.93 (lending limits a/k/a loans-to-one-borrower limitations, "LTOB");
- ii) 12 C.F.R. § 560.101 (real estate lending standards);
- iii) 12 C.F.R. § 563.160 (internal asset review);
- iv) 12 C.F.R. § 560.170 (real estate lending; documentation);
- v) 12 C.F.R. §§ 562.2 and 563.180(a) (accurate regulatory reports, etc.);
- vi) 12 C.F.R. § 563.41 (transactions with affiliates);
- vii) 12 C.F.R. § 563.180(b) (prohibiting false or misleading statements);
- viii) 12 C.F.R. § 563.180(d) (requiring filing of Suspicious Activity Reports);

¹ All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

- ix) 12 C.F.R. § 563.177 (requiring adoption, implementation, periodic testing, and monitoring of an effective anti-money-laundering program (“AML program”));
- x) 12 C.F.R. § 563.200 (conflicts of interest);
- xi) 31 C.F.R. § 103.00 (responses to inquiries from the Treasury Department’s Financial Crimes Enforcement Network, “FinCEN”); and
- xii) 31 C.F.R. § 103.33 (requiring maintenance of AML-related records in support of transactions).

1.02. Separate Operation from Golden First Mortgage Corporation; Employment Restrictions.

(a) The Bank’s operations (including staffing) shall be completely separate from the operations and staffing of Golden First Mortgage Corporation. Without limitation on the foregoing:

(i) the Bank and Golden First Mortgage Corporation shall not, directly or indirectly, have any common officers or employees (except for the individual who currently is the sole owner of both entities), and (ii) the Bank shall not, directly or indirectly, outsource (regardless of the presence or absence of any payment) any of its functions or activities (including support activities) to Golden First Mortgage Corporation or to any persons who currently are, or have been, employed by Golden First Mortgage Corporation.

(b) Except with prior written non-objection of the OTS (*e.g.*, the OTS letter of non-objection dated May 10, 2007), the Bank shall not employ or otherwise engage the services of any person who is, or has been, an employee of Golden First Mortgage Corporation. To seek OTS non-objection, the Bank must submit one or more written requests for such non-objection, and such written requests must, *inter alia*, include: (i) the reasons the Bank is of the view that the such employment would further the interests of the Bank, and (ii) information about the Bank’s background check on such individuals.²

(c) In connection with the lending (including but not limited to loan brokerage) activities of the Bank, the Bank shall not employ any of the following individuals – those: (i) whose activities are not governed by, and subject to, detailed written policies and procedures duly adopted by the Bank’s Board, (ii) whose activities and performance are not under the supervision of the Bank’s President; (iii) who are compensated primarily by commissions or whose primary compensation from the Bank is not through salary or hourly wages, (iii) for whom the Bank fails to make state-required payments

² The Bank’s background checks must include, but are not limited to, OFAC review, credit report review, review of federal banking agency enforcement action databases, and review of such other publicly available information to determine whether such individuals have been subject to sanctions by any state or federal regulatory authority (*e.g.*, state regulators of mortgage brokers, and the NASD).

relative to the New York (or other applicable state) unemployment insurance program, *or* (iv) whose relationship with the Bank otherwise is inconsistent with an employer-employee relationship.

1.03. Transactions with Affiliates.

(a) The Bank shall not serve as a depository institution or otherwise hold deposit accounts for Golden First Mortgage Corporation, or any other company deemed to be an Affiliate of the Bank. For purposes of this Order, the term Affiliate has the meanings set forth in 12 C.F.R. § 223.2 and 12 U.S.C. § 1462(9).

(b) The Bank shall comply with the record-keeping requirements of 12 C.F.R. § 215.8, by, *inter alia*, maintaining and updating appropriate records and conducting annual surveys to identify all “insiders” of the Bank and of the Bank’s Affiliates. The term “insider” has the meaning set out in 12 C.F.R. § 215.2(f).

(c) The Bank shall not engage in any transaction with an Affiliate unless, with respect to such transaction, the Bank: (i) has provided the OTS with at least 30 days prior written notice of such transaction, and (ii) has received from the OTS written notice that the OTS does not object to the proposed transaction. Any Bank notice required by the preceding sentence shall include a full description of the proposed transaction, including, at a minimum, the information required by the record-keeping requirements of 12 C.F.R. § 563.41(c)(3).

1.04. Financial Records; Thrift Financial Reporting; Internal Audit System.

(a) *Establishment and Maintenance of Financial Records.* The Bank, as required by 12 C.F.R. §§ 562.1 and 563.170(c), shall have and maintain such accounting and other records as will provide an accurate record of all business it transacts. Such records shall support and be readily reconcilable to: (i) any regulatory reports submitted to the OTS (including but not limited to Thrift Financial Reports, “TFRs”), which must comply with 12 C.F.R. § 562.2, and (ii) financial reports prepared in accordance with generally accepted accounting principles (“GAAP”).

(b) *Financial Officer.* The Bank’s Board of Directors (the “Board”) shall designate a qualified senior officer as the Bank’s Financial Officer (the “Financial Officer”), who, *inter alia*, shall be responsible for overseeing the day-to-day maintenance of the Bank’s financial records.

(c) *Internal Controls and Information Systems.* The Bank shall establish, implement, and maintain appropriate internal controls and information systems (including, but not limited to, financial record-keeping systems) that provide for timely and accurate: (i) financial statements that

conform to GAAP, (ii) operational reports, and (iii) regulatory reports, including, but not limited to TFRs.

(d) *Internal Audit System; Audit Committee.* The Bank shall have, maintain, and implement an appropriate internal system that: (i) satisfies the standards specified in Part II of the Interagency Guidelines Establishing Standards for Safety and Soundness, published at Appendix A to 12 C.F.R. Part 570; and (ii) shall be subject to the oversight and supervision of an audit committee of the Board (“Audit Committee”), which must consist of three or more members, the majority of whom shall be Outside Directors. The Audit Committee shall meet no less than quarterly, and it shall maintain a written record of its activities in duly maintained minutes. As used in this Order, the term “Outside Director” means a director who is not an officer, employee, or controlling stockholder of the Bank.

(e) *TFR and Financial Statement Preparation.* At all times, the establishment, preparation, and maintenance of the Bank’s TFRs and financial statements shall be under the supervision of the Bank’s Financial Officer. The Bank shall prepare its TFRs in conformity with the OTS’s TFR Instruction Manual, as required by 12 C.F.R. §§ 562.1, 562.2, and 563.180(a).

(f) *Board Review of TFRs.* By no later than the 30th day following the close of each quarter, the Bank’s most-recent quarter-end TFR quarterly financial statements (including annual fiscal-year-end financial statements) shall be presented to the Bank’s Board. The Board shall promptly review, evaluate and discuss the TFR, and such review, evaluation and discussion must be noted in the minutes of the pertinent Board meeting.

(g) *Signing and Retention of TFR Records.* Prior to each electronic submission of TFR data to the OTS, the Bank’s Financial Officer (or in his absence another appropriate officer) shall sign and date the declaration/certification included with OTS Form 1313 (the “TFR Certification Form”), which states that such TFR report is true and accurate to the best of said officer’s knowledge and belief. Also prior to electronic submission of the TFR data to the OTS, the correctness of each such TFR shall be attested by the signatures of at least two of the Bank’s directors (other than the Financial Officer), by their signing and dating of the TFR Certification Form,³ which previously had been signed by the Financial Officer. The Bank shall retain each such signed TFR Certification Form with its financial records. See 12 U.S.C. § 1817(a)(3) and the OTS’s TFR Instructions.

³ The TFR Certification Form includes a declaration that the TFR has been examined by the signing directors and to the best of their knowledge and belief is true and correct.

1.05. Required Annual Audit of Financial Statements.

(a) *Annual Financial Statements Required.* The Bank shall prepare annual fiscal-year-end financial statements that conform to GAAP.

(b) *Annual Audit Required.* The Bank is required to have its annual fiscal-year-end financial statements audited by a qualified independent public accounting firm. See 12 C.F.R. § 562.4. To be qualified, the independent public accounting firm must: (i) meet the qualification requirements of 12 C.F.R. §§ 562.4, and (ii) have background and experience in conducting audits of FDIC-insured banking institutions. Notwithstanding its size, the Bank, in connection with its obligations hereunder, shall comply with the following provisions of the FDIC Rules on Annual Independent Audits at 12 C.F.R. Part 363: sections 363.2, 363.3, 363.4 (except for subsection (b), and 363.5.

(c) *Board Review.* By no later than the 45th day following the close of its fiscal year, the Bank's annual fiscal-year-end financial statements, conforming to GAAP, shall be presented to the Bank's Board. The Board shall promptly review, evaluate, and discuss the financial statements, and such review, evaluation and discussion must be noted in the minutes of the pertinent Board meeting.

(d) *Submission of Audited Financial Statements.*

- (i) With respect to its financial statements for fiscal years 2005 and 2006, the Bank must, within 15 days of the Effective Date of this Order, submit to the OTS two complete copies of the signed, independent auditor's report on its annual financial statements together with copies of all related letters and reports from the independent auditor (including, but not limited to, auditor letters issued pursuant to SAS 61 and SAS 60); and
- (ii) With respect to its financial statements for fiscal year 2007 and all subsequent years, the Bank shall submit to the OTS, by no later than the 90th day following the close of its fiscal year: two complete copies of the signed, independent auditor's report on its annual financial statements together with copies of all related letters and reports from the independent auditor (including, but not limited to, auditor letters issued pursuant to SAS 61 and SAS 60).

(e) *TFR Reconciliation.* Beginning with its financial statements for the fiscal year ending December 31, 2006, the Bank shall prepare a written reconciliation (the "Reconciliation Schedule") of the Bank's year-end financial statements to the financial information in the following schedules in the Bank's year-end TFR: Schedule SC (statement of condition) and Schedule SO (statement of operations). With respect to the 2006 year-end financial statements, the Bank shall complete its Reconciliation Schedule by May 31, 2007. With respect to all subsequent year-end financial statements, the Bank shall complete its Reconciliation Schedule by no later than the end of the first

quarter following the end of calendar year. The Bank's independent auditor shall be engaged, each year in connection with its independent audit, to review and report, in writing, on the afore-required Reconciliation Schedule. The independent auditor's report of its review of the Reconciliation Schedule pertaining to the 2006 year-end financial statements shall be completed and submitted to the OTS by June 30, 2007, and with respect to all subsequent reviews, the independent auditor's report shall accompany the independent auditor's report concerning the Bank's year-end financial statements.

(f) *Fiscal Year.* The Bank's fiscal year shall end at the end of a calendar quarter, and, except with the prior written non-objection of the OTS, the Bank shall not change its fiscal year end date from December 31st.

1.06. Information Technology Matters.

The Bank's electronic records and information technology systems shall: (i) be secure, (ii) be isolated from, and unavailable to, Golden First Mortgage Corporation, other affiliated companies, and their staff, and (c) be maintained in compliance with the guidance set out in Appendix B to Part 570 of the OTS' regulations, 12 C.F.R. Part 570. Without limitation on the foregoing, at a minimum, the Bank must: (i) utilize a specific user ID for accessing the electronic financial recordkeeping system provided by its service provider; (ii) utilize effective passwords that have time-sensitive expiration dates; (iii) provide for regular and timely backups of security log files; and (iv) adopt and regularly implement effective procedures for the regular and timely review by the Bank's senior officers of IT-related security reports.

1.07. Bank Secrecy Act-related Matters.

(a) At all times, the Bank shall provide for the continuing and effective administration and implementation of its written Anti-Money Laundering program ("AML Program") in order to provide for full compliance with the requirements of 12 C.F.R. § 563.177 (procedures for monitoring Bank Secrecy Act ("BSA") compliance), including 31 C.F.R. Part 103, the BSA, and other related laws and regulations.

(b) At all times, the Bank shall have an appropriate officer (or senior employee) actively serving as the Bank's BSA Officer for implementation of its Anti-Money Laundering Program, and the Board shall engage in oversight of the Bank's implementation of its Anti-Money Laundering Program. Whenever the BSA Officer position becomes vacant, the Bank's senior officers: (i) shall immediately provide written notice of such vacancy to the Bank's Board; (ii) shall promptly designate another appropriate person to serve as the BSA Officer, and (iii) shall promptly provide

written notice of such designation to the person designated as the BSA Officer. The Bank's Board shall direct Management to take all actions as are necessary so that the Bank's BSA Officer is provided with regularly scheduled and ongoing support (which support may be provided by qualified third-party providers) so that he/she may perform his/her AML Program-related responsibilities effectively. The Board shall monitor Management's implementation of such directive and shall require Management to timely take corrective action if needed.

(c) The Bank shall ensure that it has taken all actions that were necessary to correct the BSA-related violations and deficiencies noted in the OTS Report of Examination for the examination of the Bank started on February 13, 2006 (the "Report of Examination"). Without limitation on the foregoing, the Bank, on an ongoing basis, shall: (i) provide for enhanced AML-program training of Bank personnel, so that such training conforms to the requirements of 12 C.F.R. § 563.177(c)(3), (ii) provide for enhanced independent testing conforming to the requirements of 12 C.F.R. § 563.177(c)(4); (iii) conduct timely OFAC reviews, (iv) timely obtain and maintain appropriate documentation relative to the customer identification requirements of 31 C.F.R. § 121; (v) timely obtain and maintain the documentation required by 31 C.F.R. §§ 103.33 and 103.34 (regarding wires and other activities); and (vi) take all actions required by 31 C.F.R. § 103.100 (information requests from FinCEN, etc.).

1.08. Wire Transfers.

(a) The Bank shall not effect, process, perform or engage in wire transfer activities for any Person that is not an Established Customer. The terms "Person" and "Established Customer" used in the preceding sentence are defined in 31 C.F.R. §§ 103.11(l) and 103.11(z).

(b) The Bank must maintain accurate records concerning all outgoing and incoming wire transfers in which the Bank is involved, as required by 12 C.F.R. § 563.170(c) and 31 C.F.R. § 103.33(e).

(c) Within thirty (30) days of the Effective Date hereof, the Bank shall establish, commence implementation of, and maintain enhanced procedures for accurately documenting all wire transfer transactions involving the Bank. Such enhanced procedures must provide for timely and regular reconciliations. Without limitation on the foregoing, with respect to each wire transaction, on the same day the Bank is involved in such transaction, the Bank shall make transaction-related entries into a log. The required wire-transfer-related log shall include sufficient detail for the Bank – (i) to satisfy its obligations under its AML Program, and (ii) to assist the Bank in identifying and reporting suspicious activities pursuant to 12 C.F.R. § 563.180(d).

(d) On a monthly basis, the Bank's senior officers shall provide the Board with a report on the wire transfer activity of the Bank. The Board shall consider and discuss each such report, and such consideration and discussion shall be recorded in the minutes of the Board's meetings.

1.09. Adherence to Business Plan; Activities Limited; New 3-Year Business Plan Required.

(a) Except as otherwise permitted or directed, in writing, by the Regional Director, the Bank shall adhere to its 2004 3-Year Business Plan referenced in OTS Order No. 2004-40 (the "2004 Business Plan").⁴

(b) *New 3-Year Business Plan.*

(i) By July 31, 2007, the Bank, with Board involvement, shall develop and submit to the OTS, for its review, comment and non-objection, a proposed revised 3-Year Business Plan (the "2007 3-Year Business Plan"), which must be designed to safely and soundly guide the Bank's operations for the 3-year period ending December 31, 2010. The 2007 3-Year Business Plan must satisfy the business plan requirements set out in Section 625 of the OTS's Applications Processing Handbook, including (but not limited to): (x) specifying the Bank's proposed business activities and product delivery systems, and (y) setting out the *pro forma* financial projections required by Part X thereof.

(ii) Promptly following its receipt from the OTS of a written notice of a non-objection about the 2007 3-Year Business Plan (with such incorporated revisions responsive to OTS's comments), the Bank shall adopt, implement and adhere to such regulatorily cleared 2007 3-Year Business Plan (the "OTS-Cleared 2007 3-Year Business Plan").

(c) The Bank shall not engage in any lending activities (by loan type or otherwise), deposit-taking activities, product delivery activities, or any other activities that have not been explicitly contemplated and described in the Bank's 2004 Business Plan or in the OTS-Cleared 2007 3-Year Business Plan, as applicable (the "Applicable Business Plan").

(d) The Bank's Board and officers, on at least a monthly basis, shall: (i) monitor the Bank's implementation and adherence to the Applicable Business Plan, and (ii) timely take all appropriate actions to cause the Bank to operate within the parameters of the Applicable Business Plan.

(e) The Bank may adopt and implement amendments to its Applicable Business Plan only with the prior written non-objection of the Regional Director following the Bank's compliance with the procedures specified hereby. In order to seek such Regional Director non-objection, the Bank must submit to the OTS a written request for a business plan amendment in accordance with Section 630 of the OTS's Applications Processing Handbook and TB 48-19.

⁴ OTS Order No. 2004-40, dated August 6, 2004, concerns the application for permission to organize the Bank.

1.10. Loan Approval Authorities; Restrictions and Requirements Related Thereto.

(a) *General Lending Authorities.* The Bank shall not make, or commit to make, any loan except with the express prior documented approval of either (i) the Bank's Board or (ii), except as otherwise provided in subparagraphs (b) and (c) below, a Loan Committee of the Board (the "Loan Committee"). The Loan Committee must consist of three or more Board members, the majority of whom shall be Outside Directors (which term was defined previously in this Order). On a monthly basis, the Loan Committee shall provide to the Bank's Board a report summarizing information about each loan approved by the Loan Committee during said month.

(b) *No Conflict-of-Interest Loans.*

The Bank shall not make any loans in violation of 12 C.F.R. §§ 563.200 and 563.201 (conflicts of interest; corporate opportunity). In connection with the lending and other activities of the Bank, the Bank's directors, officers, and Principal shareholder shall fulfill their fiduciary duties and comply with 12 C.F.R. §§ 563.200 and 563.201. Without limitation on the foregoing, each such Bank insider shall timely make such disclosures to the Bank's management and Board as are necessary to fulfill his/her fiduciary duties to the Bank and to comply with the aforesaid regulations.⁵

(c) *Lending Related to Principal Shareholder.*

- (i) Except with the express prior documented authorization by the Bank's full Board (with recusal and other compliance with 12 C.F.R. § 563.200 by the Bank's "Principal shareholder"), the Bank shall not make or commit to make any loan (or other extension of credit) to:
- (A) Any person (or entity) who is a "Principal shareholder" of the Bank;
 - (B) Any person who is a member of the "immediate family" of the Bank's Principal shareholder;
 - (C) Any "related interest" of the Principal Shareholder of the Bank, including (but not limited to) Golden First Mortgage Corporation; and/or
 - (D) Any "Owner-Related Party".
- (ii) Whenever the Bank's Principal Shareholder becomes aware that a member of his "immediate family", one of his "related interests", or an "Owner-Related Party" has a loan application submitted to the Bank, the Principal Shareholder shall immediately provide the Board and the Bank's President with written notice of such, and the Board's receipt of such notification shall be recorded in the minutes of the meeting of the Board during which the loan application is addressed.

⁵ By way of illustration, but not limitation, a bank director is required to timely make full disclosure to the bank's Board whenever the bank is considering making a loan to any person or business entity with whom the director (or any of his related interests) has, recently had, or is likely to have a financial or business relationship. *Also see:* recusals.

- (iii) For purposes of this Order, the terms “Principal shareholder”, “immediate family”, and “related interest” shall have the meanings provided in 12 C.F.R. § 215.2.
- (iv) For purposes of this Order, the term “Owner-Related Party” refers to any of the following:
 - (A) Any loan applicant who directly or indirectly has, or within 5 years of such application, has had any business or financial dealings with the Bank’s “Principal shareholder” or any of his “related interests”, or
 - (B) Any loan applicant whose loan application is received by the Bank by virtue of the involvement of the Bank’s Principal shareholder. A loan application will be deemed to have been received by virtue of the involvement of the Bank’s Principal shareholder under the following circumstances: (I) when the Principal Shareholder is, or has been, the account officer for the loan applicant, (II) when the Principal Shareholder is involved in the Bank’s taking of the loan application, or (III) except as provided in the next sentence, the Principal Shareholder is identified as the referral source for the loan. In instances when a loan applicant would be deemed to be an Owner-Related Party *solely* by virtue of the fact that the loan application identifies the Principal Shareholder as a “referral source”, such a loan applicant will not be deemed to be an Owner-Related Party if, and only if, the Principal Shareholder: (x) recuses himself from making recommendations about or otherwise participating in any manner in decision-making relative to the application, and (y), prior to Loan Committee consideration of the application, he signs, dates and submits to the Bank’s President a written notice of recusal, which notice must be presented to the Loan Committee and then retained in the loan file.

(d) *Exception Loans.* The Bank’s lending activities relative to Exception Loans are subject to the following restrictions and requirements:

- (i) Except as the Regional Director may otherwise allow by written notice to the Bank, only the Bank’s full Board may authorize the Bank to make, or commit to make, an “Exception Loan”, and the Bank’s Loan Committee may not authorize the Bank to make, or commit to make, any loan that is an Exception Loan.
- (ii) Neither the Bank’s Exception Loans, nor any of its other loans, shall exceed the supervisory loan-to-value limits (which are set forth in the Appendix to 12 C.F.R. § 560.101). The Bank’s making of Exception Loans must be consistent with the Bank’s Applicable Business Plan and safe and sound lending practices.
- (iii) The Board shall monitor the Bank’s activities relative to the making of Exception Loans, as required by Paragraph 1.11 of this Order. Except as otherwise consistent with express terms in an Applicable Business Plan, the Bank, after the Effective Date hereof, may not make, or commit to make, any new Exception Loans that

would cause the total of the Bank's Exception Loans held in the Bank's portfolio at each quarter end to exceed 25% of the Bank's equity capital.⁶

- (iv) For purposes of this Order, the term "Exception Loan" has the meaning provided in the Interagency Guidelines at the Appendix to 12 C.F.R. § 560.101.⁷

1.11. Lending: Underwriting, Policies, Origination, and Monitoring.

(a) Except with the prior written non-objection of the OTS, the Bank shall not make, or commit to make, any loans to applicants who fail to provide the Bank with copies of their income tax returns (or other credible supporting documentation in addition to signed loan applications) regarding their actual income (*i.e.*, the income of the persons/entities who would become obligated as payors with respect to the applied-for loan).

(b) Within sixty (60) days of the Effective Date hereof, the Bank's Board shall revise the Bank's written lending policies and procedures as follows:

- (i) Incorporate the requirements and limitations on documentation of applicant income set out in the preceding subparagraph;
- (ii) Specify the particular loan types that the Bank actually intends to make (the "Loan Products"); the Bank shall not include as a Loan Product a loan type not contemplated by the Bank's Business Plan;
- (iii) Tailor the written loan underwriting policies and procedures so that such policies and procedures only address the Bank's Loan Products;
- (iv) Detail the types and frequency of reports required to be submitted to the Board in connection with the Board's monitoring of the Bank's lending activities and compliance with the Bank's loan policies and procedures;
- (v) Set requirements, consistent with the regulatory guidelines in the Appendix to 12 C.F.R. § 560.101, for the amount of borrower's equity, the financial condition and resources of the borrower and any guarantor, acceptable levels and types of collateral, loan to value ratios, and loan terms and pricing;
- (vi) Require Bank personnel, in connection with Board's and/or Loan Committee's (as appropriate) consideration of a loan application/proposal, to provide the Board (or Loan Committee, as appropriate) documentation showing: (A) a thorough analysis of loan underwriting considerations, (B) whether the making of the proposed loan would be in compliance with the Bank's lending policies and procedures and the lending portion of the Bank's Business Plan, and (C) whether the making of the proposed loan would be

⁶ The Bank is required to report its equity capital at line SC80 of its Thrift Financial Reports.

⁷ Among other things, the Interagency Guidelines provide as follows: "The board of directors is responsible for establishing standards for the review and approval of exception loans. Each institution should establish an appropriate internal process for the review and approval of loans that do not conform to its own internal policy standards. The approval of any such loan should be supported by a written justification that clearly sets forth all of the relevant credit factors that support the underwriting decision. The justification and approval documents for such loans should be maintained as a part of the permanent loan file."

contrary to applicable regulatory requirements (e.g., 12 C.F.R. §§ 560.93 and 560.170); and

- (vii) With respect to loans financing acquisition, development, and/or construction (collectively “Construction Loans”), the Bank shall enhance its internal controls and monitoring of such loans and the projects financed thereby. Without limitation on the foregoing, on no less than a quarterly basis, – (A) the Bank’s senior officers shall prepare and update a written report/spreadsheet (“Construction Loan Report”) reporting on all open Construction Loans, and (B) the Bank’s Board shall review and consider the current Construction Loan Report, which review shall be documented in the minutes of the Board’s meeting.

(c) *Board Monitoring for Compliance.* The Bank’s Board shall engage in oversight of the Bank’s compliance with the Bank’s loan policies and procedures, and shall take all actions as are necessary to cause the Bank (including its officers and employees) to adhere to such policies and procedures. The Board shall require such regularly scheduled reports as are necessary from senior officers to satisfy the foregoing obligation and its fiduciary responsibility.

(d) *Monitoring of Exception Loans.* Effective immediately and on a quarterly basis, the Bank’s senior officers shall prepare and submit to the Bank’s Board for its review and evaluation a written report identifying all Exception Loans granted during the quarter. The Bank’s senior officers shall submit each such written report to the Board within thirty (30) days following the end of each calendar quarter. The Board shall conduct its review of the quarterly reports required by this Paragraph 1.11 within thirty (30) days of receipt of the quarterly reports from senior officers. The Board’s quarterly review of the Bank’s making of Exception Loans shall be fully documented in the minutes of the Board’s meeting.

1.12. Lending Limits/Loans to One Borrower Compliance.

The Bank shall maintain and implement such enhanced policies and procedures as are necessary to ensure that the Bank complies with the loans-to-one-borrower limitations set forth in 12 C.F.R. § 560.93 (“LTOB Policies”). Among other things, such enhanced LTOB Policies must: (i) require implementation of LTOB-related procedures, including but not limited to the maintenance and updating of a list/spreadsheet with sufficient information to identify all of a borrower’s/applicant’s related persons, entities and interests who would be deemed to be “one borrower” within the meaning of 12 C.F.R. § 560.93 and 12 C.F.R. Part 32; and (ii) require quarterly monitoring, updating, and documentation of the applicable amount of the Bank’s “lending limit” for purposes of 12 C.F.R. § 560.93.

1.13. Internal Asset Review; Policies on Asset Quality and Classification; Monitoring.

(a) The Bank shall engage in ongoing monitoring of the performance of the loans and other assets on its books. The Bank, on a regular basis that is no less than quarterly, shall record appropriate charge-offs and shall record accounting entries to maintain an appropriate allowance for loan and lease losses conforming to the requirements of generally accepted accounting principles (GAAP) and published regulatory guidance (the "Regulatory Credit Classification Guidance"), which guidance, includes, but is not limited to: (A) the *Interagency Policy Statement on the Allowance for Loan and Lease Losses*, issued on December 13, 2006 (OTS CEO Memorandum No. 250), and (B) the *Interagency Uniform Retail Credit Classification and Account Management Policy*, 65 Fed. Reg. 36003 (June 12, 2000; attached to OTS CEO Letter No. 128, dated July 27, 2000).

(b) *Maintenance of Internal Asset Review Program.* The Bank shall maintain and implement an appropriate written Internal Asset Review Program regarding the identification and classification of the Bank's problem assets. The Bank's Internal Asset Review Program must meet the requirements of: (i) 12 C.F.R. § 560.160, (ii) section II.G. of Appendix A to the Safety and Soundness Standards at 12 C.F.R. Part 570, (iii) the Regulatory Credit Classification Guidance, and (iv) the requirements specified in subparagraph (c) hereof (below).

(c) *Review of Internal Asset Review Program.* Within sixty (60) days of the Effective Date hereof, the Bank's Board and senior officers shall conduct a review of the Bank's existing Internal Asset Review Program. To the extent not already present, the Bank's Internal Asset Review Program must be revised, within ninety (90) days of the Effective Date hereof, so that, at a minimum, the Program has the following characteristics:

- (i) Supervision by a Qualified Officer. The Program must be supervised, at all times, by a qualified Bank officer (referred to herein as the "Program Officer"), who the Board has assigned responsibility for supervision of the Program, which assignment must be recorded in the minutes of a duly held meeting of the Board.
- (ii) Oversight by Audit Committee. The Program (including the work of the Program Officer) shall be subject to the oversight of the Board's Audit Committee. With respect to his Program-related work and recommendations, the Program Officer shall report directly to the Audit Committee;
- (iii) Staffing. Subject to the supervision of the Program Officer, the asset-review work shall be conducted by: (i) qualified Bank staff, assigned by the Bank's Board or Audit Committee, or (ii) a qualified and independent third-party service provider engaged by the Bank with the prior written approval of the Board (or its Audit Committee);

- (iv) Asset Review and Classification. The Program must ensure the proper identification of assets as “loss”, “doubtful”, “substandard” or “special mention” (collectively referred to as “Criticized Assets”) and the reporting of each such asset to the Board at least monthly. Loan classifications shall be based on an assessment of all pertinent factors affecting the likelihood that the loan will be repaid according to its terms, and will not rely excessively on loan performance to date;
- (v) The Program must provide for the maintenance of an adequate allowance for loan and lease losses (“ALLL”) to reflect credit risk in the Bank’s loan and lease portfolio;
- (vi) The Program must ensure the prompt charge-off of uncollectible loans, or portions of loans, in accordance with GAAP. See SFAS No. 5, No. 15 and No. 114;
- (vii) The Program must require the timely and accurate reporting of the Criticized Assets, ALLL and charge-offs on the TFR;
- (viii) The Program must establish timeframes and procedures for reporting the results of all independent asset reviews to the Board for consideration; and
- (ix) The Program must require ongoing monitoring and review of problem loans. In connection with such ongoing monitoring and review of problem loans, on a monthly basis – (A) the Bank’s senior officers shall prepare and update a written report/spreadsheet (“Problem Loan Report”) reporting on all classified assets, delinquent loans, and other actual or potential problem loans, and (B) the Bank’s Board shall review and consider the current Problem Loan Report.

(d) Board Monitoring. The Bank’s Board shall monitor the Bank’s implementation of its Internal Asset Review Program. The Board shall document in the minutes of the appropriate Board meeting: (i) its monitoring of the Internal Asset Review Program, and (ii) its other asset-review/classification activities required by this Order.

1.14. Code of Ethics.

The Bank and each of its directors, officers and employees shall comply fully with the requirements and restrictions of the Bank’s Code of Ethics. On no less than an annual basis, the Bank shall provide training about its Code of Ethics to each of its directors, officers and employees, who shall be provided with a copy of the Code of Ethics annually.

1.15. Enhanced Board Oversight of Bank Operations; Corporate Governance.

(a) The Bank's Board shall: (i) fulfill its responsibilities, including the responsibilities summarized in the OTS publication entitled *Directors' Responsibilities Guide* (September 2006),⁸ and (ii) conduct official Board meetings on no less than a monthly basis.

(b) Within thirty (30) days following the Effective Date hereof, each of the Bank's directors shall review OTS Examination Activities Handbook Section 310 as well as the *Directors' Responsibilities Guide* and the *Directors' Guide to Management Reports*⁹ (collectively the "OTS Guidance on Bank Director Responsibilities"). Within forty-five (45) days of the Effective Date hereof, the Bank's Board shall submit to the OTS a letter, signed by each Board member, certifying that each Board member has reviewed and understands the responsibilities of a director of an OTS-regulated banking institution, as summarized in the aforementioned OTS Guidance on Bank Director Responsibilities.

(c) *Board Consideration of Information.* At each regular meeting of the Board, the Board shall be presented with verbal reports (supplemented with written materials as appropriate) by each of the Bank's officers, including (but not limited to) the President, the senior financial officer, the controller, the senior lending officer, and the person(s) serving as the Bank's compliance officer and its BSA Officer. The Board shall review reports prepared by third-party consultants retained by the Bank.

(d) *Board Executive Sessions.* Beginning with the first Board meeting following the Effective Date of this Order, each Board meeting will include an opportunity for directors who are not also officers of the Bank to meet in executive session ("Executive Session"). The proceedings of the Executive Session of the Board shall be duly recorded in the minutes of the Board's meeting.

(e) *Delineation of Lines of Authority.* No less than semiannually, the Bank's Board shall review the Bank's existing organizational structure. The Bank shall maintain and implement written policies and procedures establishing clear and prudent lines of authority, responsibility and reporting. The Board shall take all appropriate actions (including but not limited to issuance of Board-minute-recorded instructions to the Bank's President) so that each officer/employee will be informed about his/her authority (including limitations thereof), responsibilities and reporting requirements, and about any changes in such authority, responsibilities, and reporting requirements. The Board shall timely adopt and implement procedures reasonably designed to require that all

⁸ The *Directors' Responsibilities Guide* is available at: <http://www.ots.treas.gov/docs/4/48090.pdf>

⁹ The *Directors' Guide to Management Reports* is online at: <http://www.ots.treas.gov/docs/4/48091.pdf>

matters requiring Board consideration and/or action are timely presented by the Bank's management to the Board for review and approval/disapproval, as appropriate. The Board must take all actions that are necessary and appropriate to cause the Bank's officers and employees to fully implement and address all matters as directed by the Board.

1.16. Oversight and Monitoring of Supervisory Requirements.

(a) The full Board shall monitor the Bank's compliance with the provisions of: (i) this Order, and (ii) the written conditions enumerated in OTS Order No. 2004-40 (collectively the "Conditions of Approval").

(b) No less than monthly, the Bank's senior officers shall provide to the Board such information and reports as are necessary to allow the Board to monitor the Bank's compliance with the requirements of this Order and of the Conditions of Approval.

(c) Within thirty (30) days after the end of each calendar quarter, the Board shall complete and adopt a written quarterly progress report (the "Quarterly Regulatory Monitoring Report") that:

- (i) Details the actions taken by the Bank to comply with each provision of this Order and of the Conditions of Approval, and also describes the results of such actions; and
- (ii) Identifies all discovered variances relative to this Order and the Conditions of Approval, and, with respect to each such variance, further describes all remedial actions that have been effected and/or are in the process of being effected.

(d) Within forty-five (45) days after the end of each calendar quarter, the Board shall submit to the OTS: (i) a copy of the most recent Quarterly Regulatory Monitoring Report required by paragraph (a) (above), and (ii) a written certification that each director has reviewed the report.

(e) Nothing contained herein shall diminish the responsibility of the Board to take all appropriate actions to bring about the Bank's compliance with the provisions of this Order and of the Conditions of Approval.

1.17. Correction of Other Identified Deficiencies.

In addition to taking the actions required by the preceding provisions of this Order, the Board and the Bank shall promptly address and correct all other matters identified in the Matters Requiring Board Attention section of the Report of the Examination.

PART II

2.01. Restriction on Asset Growth.

Except as the OTS may otherwise require by written notice to the Bank, at the end of each quarter, the Bank's total assets shall not exceed the projected quarter-end total assets specified by the Bank in (i) the Bank's 2004 Business Plan, or (ii) a revised Business Plan found non-objectionable by the OTS, in accordance with Section 1.09(b) of this Order. The foregoing asset-growth restriction is provided hereby in lieu of the standard restriction specified by OTS Regulatory Bulletin 3b in view of the Bank's recent commencement of operations and its required adherence to an OTS-reviewed business plan.

2.02. Board and Management Changes.

The Bank is and shall be subject to the requirements and limitations set out in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 - .590). Without limitation on such requirements and limitations, this means, among other things, that, except as otherwise permitted by 12 C.F.R. § 563.590, (i) the Bank must notify the OTS at least 30 days before adding or replacing any member of its Board, employing any person as a senior executive officer, or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive officer position, and (ii) the proposed director or senior executive officer may not begin service except as permitted by 12 C.F.R. § 563.585 and 12 U.S.C. § 1831i.

2.03. Compensation and Benefit Arrangements.

The Bank shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Bank unless the Bank first -- (i) provides a minimum of 30 days advance notice of the proposed transaction and (ii) receives a written notice of non-objection from the OTS. See OTS Examination Handbook § 310 and OTS Regulatory Bulletin 27b.

2.04. Severance and Indemnification Payments and Agreements to Make Such Payments.

The restrictions at 12 C.F.R. Part 359 are applicable to the Bank. Such restrictions concern the making of agreements (including employment agreements) with severance provisions, "golden parachute payments" and "prohibited indemnification payments". Without limitation on the generality of the foregoing, this means, *inter alia*, that the Bank shall not make or agree to make any "golden parachute payment", as that term is defined 12 U.S.C. § 1828(k) and in 12 C.F.R. Part 359,

except as may be permitted by the aforesaid statutory provision and regulations. See 12 C.F.R. §§ 359.2 and 359.4.

2.05. Contracts Outside of the Ordinary Course of Business.

The Bank shall not enter into any third-party contracts outside of the normal course of business without the prior written non-objection of the OTS. To seek such non-objection the Bank shall provide 30 days advance written notice to the OTS of any such proposed contract. At a minimum, such notice shall set forth the Bank's reasons for seeking the contract and shall transmit a copy of the proposed contract. See OTS Examination Handbook § 310 and OTS Thrift Bulletin 82a.

PART III

3.01. Submissions to OTS.

Unless the OTS provides the Bank with written instructions providing otherwise, all submissions to the OTS, which are required by or contemplated by this Order, shall be sent in duplicate to:

Martin J. Lavelle
Assistant Regional Director
Office of Thrift Supervision
Harborside Financial Center Plaza 5, Suite 1600
Jersey City, New Jersey 07311

3.02. Definitions; Successor Statutes, Regulations, Guidance, Amendments.

(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 Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the Federal Deposit Insurance Act ("FDIA"), OTS Regulatory Bulletins, OTS Thrift Bulletins, or other published OTS guidance. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, the HOLA, the FDIA, or OTS published guidance shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

(b) Reference in this Order to provisions of statutes, regulations, OTS bulletins, and other published regulatory guidance 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.

3.03. No Violations Authorized; OTS Not Restricted.

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that OTS determines to be appropriate, arising out of matters described in the Report of Examination, or based on other matters.

3.04. Time Limits; Effect of Headings; Separability Clause; Stipulation Incorporated

(a) Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The OTS's Regional Director (or his designee), in the exercise of his discretion, may extend any of the deadlines set forth in the provisions of this Order by providing written notice to the Bank of any such extension.

(b) The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) 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/her sole discretion determines otherwise.

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

3.05. Effective Date; Duration.

This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the Stipulation) shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

s/ Robert C. Albanese

By: _____
Robert C. Albanese
Regional Director, Northeast Region