

UNITED STATES OF AMERICA  
BEFORE THE  
OFFICE OF THRIFT SUPERVISION

In The Matter Of:

COASTAL SAVINGS BANK, FSB  
New London, Connecticut

OTS No. 03633

)  
)  
) Re: Resolution No. BOS 91-14  
) Date: September 5, 1991  
)  
)  
)

STIPULATION AND CONSENT TO ISSUANCE  
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Deputy Director for the Boston District Office ("Deputy Director"), and Coastal Savings Bank, FSB New London, Connecticut ("Coastal" or the "Institution"), stipulate and agree as follows:

1. Consideration

The OTS, based upon information reported to it, is of the opinion that grounds exist for it to initiate an administrative cease and desist proceeding against Coastal pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b). Coastal, while neither admitting or denying that such grounds in fact exist, but desiring to cooperate with the OTS and to avoid the time and expense of such administrative proceedings or litigation, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceedings or

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

2. Jurisdiction

Coastal is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. 1813(b) and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c)(2) of the FDIA, 12 U.S.C. 1813(c)(2). Pursuant to Section 3(g)(4) of the FDIA, 12 U.S.C. 1813(g)(4), the Director of OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Coastal is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. 1818(b).

3. Consent

Coastal, while not admitting or denying that grounds exist for the issuance of such an Order, consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance.

4. Finality

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

5. Waivers

Coastal waives its right to the notice of charges and the administrative hearing provided by Section 8(b)(1) of the FDIA, 12 U.S.C. 1818(b)(1), and further waives any right to seek judicial review of the Order, including any such right provided in Section 8(h) of the FDIA, 12 U.S.C. 1818(h), or otherwise to challenge the validity of the Order.

6. Requests for Approval

The Regional Deputy Director will make a good faith effort to render a decision on any request for approval required by the Order within four business days of receipt of such request. To obtain approval, the Institution's management must present a detailed set of facts surrounding the proposed transaction, a discussion of its advantages and disadvantages, and a reasoned finding as to why it believes the transaction is in the best interest of Coastal.

WHEREFORE, in consideration of the foregoing, the OTS and Coastal, by a majority of its board of directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THREAT SUPERVISION

COASTAL SAVINGS BANK, FSB

By a majority of its Board of Directors:

By:

*[Signature]*  
Ralph W. Gridley  
Regional Deputy Director  
Boston District Office

Concur:

FEDERAL DEPOSIT INSURANCE CORPORATION

By:

*[Signature]*  
Paul H. Weichman  
Regional Director

\_\_\_\_\_  
/S/

UNITED STATES OF AMERICA  
BEFORE THE  
OFFICE OF THRIFT SUPERVISION

|                           |   |                              |
|---------------------------|---|------------------------------|
| In The Matter Of:         | ) |                              |
|                           | ) |                              |
| COASTAL SAVINGS BANK, FSB | ) | Re: Resolution No. BOS 91-14 |
| New London, Connecticut   | ) | Date: September 5, 1991      |
|                           | ) |                              |
| OTS No. 03633             | ) |                              |

ORDER TO CEASE AND DESIST

WHEREAS, Coastal Savings Bank, FSB, New London, Connecticut ("Coastal" or the "Institution"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Regional Deputy Director for the Boston District Office ("Regional Deputy Director"); and

WHEREAS, the Institution, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b);

NOW THEREFORE, IT IS ORDERED that:

I. CEASE AND DESIST PROVISIONS

The Institution and its directors, officers, employees, agents, successors, assigns and other persons participating in the conduct

and affairs of the Institution, and its service corporations, shall cease and desist from:

A. Engaging in any of the following unsafe and unsound banking practices and/or violations of law, and from aiding and abetting in the same:

- (1) failing to use best efforts to avoid operating in an unsound and unsafe financial condition as evidenced by poor financial operating ratios, substantial operating losses and significant deterioration of asset quality;
- (2) failing to develop and maintain adequate internal controls;
- (3) failing to develop and implement an effective loan review and asset classification system;
- (4) failing to develop and implement effective appraisal policies and procedures;
- (5) making loans without completed loan applications, appraisal reports, and financial statements demonstrating the borrowers' capability to service their indebtedness;
- (6) failing to develop and implement effective collections practices and procedures; and
- (7) failing to establish and maintain adequate general loss reserves; and
- (8) misclassifying real estate construction and development loans as "consumer" loans.

B. Violating the following statutes and regulations, and from

aiding and abetting in the same:

- (1) 12 C.F.R. 563.160, regarding internal classification of assets and reserves;
- (2) 12 C.F.R. 563.161, regarding management and financial policies;
- (3) 12 C.F.R. 563.170, regarding establishment and maintenance of records, including, in particular:
  - a. 12 C.F.R. 563.170(c)(1)(i), regarding loan applications;
  - b. 12 C.F.R. 563.170(c)(1)(iv), regarding real estate appraisals;
  - c. 12 C.F.R. 563.170(c)(1)(v), regarding documentation demonstrating borrowers' financial capability;
  - d. 12 C.F.R. 563.170(c)(1)(viii), regarding inspection reports for real estate construction and development loans; and
  - e. 12 C.F.R. 563.170(c)(1)(xii), regarding documentation of modification of loan terms.
- (4) 12 C.F.R. 563.172, regarding re-evaluation of assets and adjustment of book value;
- (5) 12 U.S.C. 84 and 12 C.F.R. 563.93, regarding limitations on loans to one borrower; and
- (6) 12 C.F.R. Part 564, regarding appraisal requirements.

II. AFFIRMATIVE CORRECTIVE ACTION

IT IS FURTHER ORDERED THAT the Institution, its directors, officers, employees, agents, successors, assigns, and other persons

participating in the conduct of the affairs of the Institution, take affirmative corrective action as follows:

A. Management

1. Within sixty (60) days from the effective date of this Order, the Board of Directors ("Board") shall develop and submit to the Regional Deputy Director a written analysis and assessment of the Institution's management and staffing needs ("Management Plan") which shall include, at a minimum:

- a. identification of both the type and number of officer positions at the level of vice president and above, other than branch managers ("Senior Staff"), needed to properly manage and supervise the affairs of the Institution;
- b. evaluation of each such Senior Staff member to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to applicable regulatory provisions and the Institution's established policies and practices, and maintenance of the Institution in a safe and sound condition;
- c. an analysis of Senior Staff's strengths and weaknesses, including an assessment of current compensation and organizational structure;
- d. an assessment of Senior Staff's ability to effectively manage and resolve current problems confronting the Institution;
- e. a plan of action to recruit and hire any additional or

replacement personnel with the ability, experience and other qualifications, which the Board determines are necessary to fill Institution officer and senior staff member positions; and

- f. a requirement that the Board (or a committee thereof, a majority of whom are outside directors) provide supervision over the lending, investment and operating policies of the Institution sufficient to ensure that the Institution complies with the terms of this Order.

2. The Board shall approve the Management Plan, and such approval shall be recorded in the Board minutes. Any modification shall become effective when approved by the Board, and such approval shall be recorded in the Board minutes. The Board shall notify the Regional Deputy Director of all material modifications to the Plan. The Institution, its directors, officers and employees shall implement and follow the written Management Plan and/or any subsequent modification thereto.

B. Asset Classification and Review

3. Within sixty (60) days from the effective date of this Order, the Board shall adopt and submit to the Regional Deputy Director for review, a revised internal classification of assets policy ("Classification Policy") consistent with, and no less stringent than, the provisions of 12 C.F.R. 563.160 as interpreted and clarified by the OTS policy statement regarding classification of assets, 12 C.F.R. 571.26. The Classification Policy shall include:

- a. a requirement that updated financial information be

requested in writing at least annually from all borrowers and guarantors with speculative and/or commercial real estate loans in excess of \$250,000 in the aggregate. In addition, operating statements on properties securing such speculative and/or commercial real estate loans shall be requested in writing at least annually from such borrowers and guarantors. All such requests, responses and subsequent analysis shall be maintained as loan file documentation;

- b. identification of the individuals responsible for the review, the frequency of reviews, the method of loan selection, the scope and depth of the review, and follow-up reporting procedures, some of which individuals shall be independent of the lending function; and
- c. a provision to ensure that all classified assets are reported as required on Thrift Financial Reports ("TFRs") submitted to the OTS.

4. The Institution shall review its assets for potential classification and its general loss reserve for adequacy on at least a quarterly basis. Adjustments to the reserve shall be made within 15 days following each such quarterly review and reflected on the thrift financial report for the current quarter. Such reviews and supporting analysis for the adequacy of the general loss reserve shall be documented within the Board minutes of the meeting at which they are considered.

5. Within thirty (30) days from the effective date of this Order, the Institution shall charge off or establish specific reserves for all assets classified "loss" in the OTS Report of Examination dated February 25, 1991 ("ROE"), and shall establish a general loss reserve equal to \$3.9 million.

6. Within sixty (60) days from the effective date of this Order, the Board shall develop and submit to the Regional Deputy Director for review and acceptance, a plan to reduce loans and real estate assets classified "Substandard," "Doubtful," or "Special Mention" in the ROE. As used in the Order, the word "reduce" means (1) to collect, (2) to charge off, or (3) to improve the quality of assets criticized sufficiently to warrant the removal of the adverse classification or criticism. The plan shall include, at a minimum, a schedule of the Institution's goals to reduce the amount of such criticized assets expressed as a percentage of total capital as of the end of each calendar quarter, with a view toward the progressive substantial reduction of all such criticized assets.

7. The Institution shall not, directly or indirectly, renew or extend credit to, or for the benefit of, any borrower who has a loan or other extension of credit with the Institution that has been charged off or classified, in whole or in part, "Loss," "Doubtful," "Substandard," or subject to "Special Mention" in the ROE and is uncollected, unless a majority of the Institution's Board of Directors first (1) determines that such advance is in the best interest of the Institution, and (2) gives approval for each such advance or approves a schedule or project budget with which each

advance is consistent. A written record of the Board of Directors' determination and approval of any advance under the terms of this Paragraph shall be maintained in the credit file of the affected borrower(s) as well as the minutes of the Board of Directors' meetings.

8. Within thirty (30) days following the calendar quarter ended September 30, 1991, the Institution shall provide the Regional Deputy Director with a detailed update on each borrower with outstanding loans or extensions of credit which are classified by the Institution or by the OTS in the ROE aggregating more than \$250,000 and each parcel of real estate acquired through or as a result of foreclosure, deed in lieu of foreclosure, or in-substance foreclosure ("real estate owned" or "REO") with a balance in excess of \$250,000 classified or subject to Special Mention in the ROE. Such reports shall include the balance as of the reporting date, past due status and a summary of efforts taken to alleviate the credit deficiency. Said reports shall be required as of the end of each calendar quarter and shall be due within thirty (30) days following the end of each calendar quarter. Said reports may be discontinued only upon the written release of the Regional Deputy Director.

C. Lending Policies and Procedures

9. Within sixty (60) days from the effective date of this Order, the Board shall develop and submit to the Regional Deputy Director for review, a revised loan underwriting policy (the "Loan Policy"). At a minimum, the Loan Policy shall:

- a. ensure that the loan documentation provided is in

compliance with the requirements of 12 C.F.R.

563.170(c)(1);

- b. set forth procedures relative to internal review and approval of loan documentation provided to the Institution in loan referrals made by its agents, correspondents and any other persons referring loans to the Institution, and loan documentation provided by underwriters of loans to be purchased;
- c. establish guidelines for the origination of loans to facilitate the sale of REO including guidelines governing acceptable down payments, loan to value ratios, interest rates, fees, and the accounting for such transactions (which shall conform to Statement No. 66 of the Financial Accounting Standards Board);
- d. set forth procedures relative to inspection and disbursement of construction loan funds, including persons responsible for such inspection and disbursement, and the inspection documentation required; and
- e. establish provisions to ensure that construction, development, and consumer loans are properly designated as such.

10. The Board shall approve the Loan Policy, and such approval shall be recorded in the Board minutes. The Institution, its directors, officers, and employees shall implement and follow the Loan Policy and/or any subsequent modification(s) thereto.

11. Within sixty (60) days of the effective date of this Order, the Institution shall develop, and thereafter shall maintain a comprehensive borrower credit ledger. At a minimum, the ledger shall provide an accurate record of total borrower credit in all loan types, including direct liability (including liability as maker, co-maker, partner, and any other kind of direct liability), and indirect liability (including liability as endorser, guarantor, and any other kind of indirect or contingent liability). Such ledger shall be established and maintained in a current status for all borrowers with other than one-to-four family owner-occupied residential loans not exceeding \$250,000 and/or consumer loans not exceeding \$50,000.

D. Collection Policy and Procedures

12. Within sixty (60) days of the effective date of this Order, the Board shall revise and submit to the Regional Deputy Director for review, a written collection policy (the "Collection Policy"), which shall include, at a minimum:

- a. collections practices consistent with the Fair Debt Collection Practices Act, 15 U.S.C. 1692;
- b. specific designation of collections personnel (by job description or title) responsible for collections/workout on all asset types;
- c. collection strategies to be employed on the collection of all asset types, with emphasis on higher risk problem assets;
- d. timetables for the various stages of collection/workout;

- e. guidelines for problem loan workout, including, but not limited to, authority of collections or lending personnel to enter into a forbearance agreement, formal approval of agreement by the Board of Directors, satisfactory terms for loan restructuring, and the terms for acceptance of deeds in lieu of foreclosure.

13. The Board of Directors shall approve the Collection Policy, and such approval shall be recorded in the Board Minutes. Any modification shall become effective when approved by the Board, and such approval shall be recorded in the Board minutes. The Institution, its directors, officers and employees shall implement and follow the Collections Policy and/or any subsequent modification(s) thereto in all material respects.

E. Appraisal Policy and Practices

14. The Institution shall make no real estate related loans without first obtaining an appraisal report complying with the requirements of 12 C.F.R. Part 564. A market value appraisal shall be obtained for any property that becomes REO, as required by 12 C.F.R. 563.172(a).

15. Within sixty (60) days from the effective date of this Order, the Institution shall revise and submit to the Regional Deputy Director for review, a written appraisal policy consistent with, and no less stringent than, the provisions of 12 C.F.R. Part 564. The appraisal policy shall include, at a minimum:

- a. a requirement that market value appraisal be obtained pursuant to 12 C.F.R. 563.170(c)(1)(iv) prior to making or

purchasing any loan or extension of credit secured by real estate;

- b. a requirement that all appraisal reports comply with the requirements of 12 C.F.R. Part 564;
- c. the guidelines for obtaining appraisals on all types of properties on which the Institution extends credit;
- d. specific procedures for management to follow in reviewing appraisals for content and compliance with regulatory and internal requirements;
- e. the responsibility of the Board of Directors to review, ratify and approve appraisers on at least an annual basis; and
- f. the Board review and approval process for appraisers, which shall provide detailed documentation supporting conclusions reached and shall become part of the Board of Directors' minutes.

F. Interest Rate Risk Management

16. Within sixty (60) days from the effective date of this Order, the Board shall adopt and submit to the Regional Deputy Director for review, a revised interest rate risk management policy that meets the requirements of 12 C.F.R. 563.176 as interpreted and clarified by the OTS policy statement regarding interest rate risk, 12 C.F.R. 571.3, and Thrift Bulletin No. 13. The policy shall include all implications and strategies with respect to proposed expansion of mortgage banking activities. Particular emphasis shall be placed on the accounting considerations to clearly distinguish between loans

originated for sale from those originated for portfolio. The Board shall approve the policy, and such approval shall be recorded in the Board minutes. The Institution, its directors, officers, and employees shall implement and follow the written policy and/or any subsequent modification thereto.

G. Violations of Laws and Regulations

17. Within sixty (60) days of the effective date of this Order, all violations of law and regulations listed on Pages A-26.1, A-26.2 and A-26.3 of the ROE shall be corrected (to the extent possible) and procedures adopted by the Board of Directors to prevent recurrence of such violations. Such procedures shall be documented in the Board minutes.

H. Progress Reports

18. Within thirty (30) days of the effective date of this Order, and, thereafter, within thirty (30) days of the end of each calendar quarter, the Institution shall furnish written status reports to the Regional Deputy Director detailing the actions which have been taken to secure compliance with this Order and the results thereof. Said reports may be discontinued only when the corrections required under this Order have been accomplished, and the Regional Deputy Director has, in writing, released the Board from making further reports. In addition, the Institution shall furnish such reports on request of the Regional Deputy Director. All status reports and other written submissions pursuant to this Order shall be reviewed by the Board of Directors of the Institution and made a part of the Board minutes.

### III. RESTRICTIONS ON OPERATIONS

Until such time as the Institution has submitted a Capital Plan to, and received notice of approval or rejection from, the Regional Deputy Director, it is further ordered that the Institution shall be subject to the following operating restrictions:

#### A. Growth

1. The Institution is not permitted any growth beyond the level of assets on June 18, 1991 except in accordance with the provisions of Section 5(t)(6)(C) of the HOLA, 12 U.S.C. 1464(t)(6)(C), which requires prior approval of the Regional Deputy Director.

#### B. Limitations on Credit/Loan Activities

2. The Institution may not make any commercial loans, commercial real estate loans or acquisition, development and construction loans except as permitted by subparagraphs 3 (e), (f), and/or (g) of this Section III(B). Any loans of the types noted above that are committed to on June 18, 1991 may only be funded after receipt of prior written approval of the Regional Deputy Director and upon certification that such a commitment is legally binding upon the Institution.

3. The Institution is prohibited from making any loans other than those specifically enumerated below:

##### (a) Real Estate Loans

###### First Liens

(1) Real estate loans must be first liens on owner occupied residential real estate (primary residences or vacation homes).

(2) Residential loans will be underwritten according to

Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA") underwriting standards such that loans will qualify in all respects for sale in the secondary markets.

(3) Loan to value ratios will not exceed 80% based on a current appraisal which meets OTS appraisal standards. Loans may be made up to 90% of appraised value if the excess over 80% is covered by private mortgage insurance provided by an FHLMC/FNMA insurance provider, or up to 95% of appraised value on qualifying Federal Housing Administration and/or Veterans' Administration ("FHA/VA") loans.

(4) Any loan which exceeds current FHLMC/FNMA dollar limitations as to maximum amount must be pre-approved for sale in the secondary market prior to commitment and subsequently sold immediately upon closing.

(b) Second Liens

(1) Second mortgages may be made on 1-4 family residential properties when Coastal already holds the first mortgage loan, and the total loan to value ratio, based on a current appraisal conforming to OTS requirements, does not exceed 80%.

(2) Where Coastal does not hold the first mortgage loan, second mortgages may be made on 1-4 family residential properties if the total loan to value ratio, based on a current appraisal conforming to OTS requirements, does not exceed 70%.

(3) Underwriting must comply with FHLMC/FNMA standards.

(c) Consumer Loans

Coastal is prohibited from making any consumer loans except:

- (1) Secured automobile loans not to exceed \$25,000;
- (2) Loans fully secured by properly assigned time deposits and/or cash surrender value of life insurance;
- (3) Education loans up to \$25,000 per borrower, secured by collateral and/or a state or federal guarantee;
- (4) Loans fully secured by properly margined (30%) values of readily marketable securities;
- (5) Credit card loans for which the Institution has provided financing, provided that the total approved credit card lines outstanding do not exceed \$2.5 million in the aggregate;
- (6) Mobile home loans not exceeding \$80,000 and with not more than a 70 percent loan to value ratio, to borrowers who are residents of, and on properties to be located in, New London County and immediately adjacent counties; and
- (7) With the prior written approval of the Regional Deputy Director, loans not exceeding \$30,000 to finance the sale of boats owned by Coastal through or as a result of foreclosure.

(d) Contingent Liabilities

The Institution is prohibited from incurring any contingent liabilities such as letters of credit, loan guarantees or commitments to make loans (other than those types of loans enumerated herein).

(e) Other Real Estate Owned

Coastal may not finance the sale of REO without first obtaining the prior written approval of the Regional Deputy Director, except in the following circumstances:

- (1) The property is a 1-4 family dwelling;

(2) The sale results in no loss to the Institution under Generally Accepted Accounting Principles ("GAAP");

(3) The amount of the financing to be provided is \$250,000 or less, and the rate of interest is at current market rate; and

(4) The Institution performs a thorough credit analysis of the borrower according to applicable OTS Regulations and sound banking practice.

(f) Sale of Other Real Estate Owned

Coastal is prohibited from sale of REO without prior written approval of the Regional Deputy Director unless the following conditions are met:

(1) The sales price is \$250,000 or less;

(2) Loss to the Institution (not including real estate commissions) does not exceed 5% of the amount the property was originally booked at as REO; and

(3) Payment is in cash, and not re-financed at Coastal or swapped for other assets.

(g) Loan Restructuring

Coastal is prohibited from restructuring any credit (including REO) relationship without prior written approval of the Regional Deputy Director unless the following conditions are met:

(1) The debt of the obligor and related parties is \$250,000 or less;

(2) Principal and/or interest are not compromised;

(3) The restructuring does not release any obligor, direct or indirect, from their obligations; and

(4) No loss is required under GAAP accounting for the transaction.

(h) Other Restrictions

Except as provided for herein, Coastal shall not, without prior written approval of the Regional Deputy Director:

(1) Employ or appoint any person to serve as an officer, director or senior manager who is not so employed or appointed as of the Effective Date of this Order;

(2) Employ any person pursuant to an agreement that is not terminable at the will of the employer and that otherwise does not comply with 12 C.F.R. 563.39;

(3) Enter into, amend or renew any collective bargaining agreement, pension or profit sharing plan, bonus plan, severance plan, retirement plan, fringe benefit plan, or other employee benefit plan, or other employment contract with any employee, director or officer, fund any escrow account or similar arrangement related to such an agreement or plan (other than normal funding requirements under existing employee benefit plans);

(4) (a) Provide any compensation or other direct or indirect benefits to executive officers and directors beyond those determined reasonable and prudent for a capital deficient institution. Such compensation for directors, executive officers and other employees shall be in compliance with 12 C.F.R. 563.39 and 563.161(b). In no event shall the Institution increase the compensation of any executive officer, either directly or indirectly, in excess of 5% per year. All compensation (direct or indirect) paid to directors in

excess of \$1,000 shall require the prior written approval of the Regional Deputy Director or his designee, provided that prior approval is not necessary for continuation of current level of Directors' fees;

(b) Pay any expense in excess of \$500 per individual per year that is not part of an individual's salary and benefit package adopted above. Included in the calculation of this amount are any monies used for the provision of automobiles or automobile allowances, country club memberships, severance pay packages, employee training, conference/seminar attendance, consultant fees (including, but not limited to decorator services), and office improvements exceeding \$1,000 (fixed assets, furniture, fixtures, and equipment). The items listed are illustrative and not exclusive. The provisions of this restriction shall apply to directors, executive officers, and other officers of the level of vice president or above;

(c) Purchase or pay for an item or service, intended for the benefit of any officer or director, costing more than \$100 that:

(1) does not have an immediate, direct relationship to the performance of the officer's or director's duties or (2) is not available to all Institution staff;

(5) Enter into any contract or any agreement for the purchase, sale or lease of goods, materials, equipment, supplies, services or capital assets, except in the ordinary course of business, unless the amount of such contract or agreement is \$15,000 or less;

(6) Borrow any money, except as may be necessary to maintain

liquidity in an amount sufficient to fund the Institution's obligations and to comply with 12 C.F.R. 566.2;

(7) Encumber any of its property or other assets except for necessary borrowings under item (6) immediately preceding;

(8) Make any material change in accounting method;

(9) Incur any material obligation or contingent liability except as otherwise permitted by this Order;

(10) Enter into any material transaction (excluding loan and investment transactions) except as otherwise permitted by this Order. For purposes of this Order, a "material" transaction shall be defined as any transaction initiated after July 1, 1991 and not otherwise permitted or required to be reported by this Order, and where the transaction exceeds \$15,000;

(11) Enter into, renew or revise any contractual arrangement with any officer, director, controlling person, affiliate, affiliated person, subsidiary or agent of the Institution or any subsidiary or affiliate thereof, for contracts otherwise permitted by this Order.

