

provided by this Order or Section 8 of the FDIA, Ramiro Colón is hereby prohibited from holding any office at, or otherwise participating in any manner in the conduct of the affairs of, the following institutions (collectively, the "(e)(7)(A) institutions"): Ponce Federal Bank, F.S.B. (the "Bank"), Ponce, Puerto Rico; any other insured depository institution within the meaning of section 3(c)(2) of the FDIA, as amended; any institution treated as an insured bank under subsections (b)(3) or (b)(4) of FDIA section 8, or as a savings association under subsection (b)(8) of FDIA section 8; any insured credit union within the meaning of the Federal Credit Union Act; any institution chartered under the Farm Credit Act of 1971; any appropriate Federal depository institution regulatory agency, within the meaning of section 3(q) of the FDIA, as amended; the Federal Housing Finance Board and any Federal home loan bank; and the Resolution Trust Corporation. Pursuant to section 8(e)(6) of the FDIA, as amended, conduct prohibited by this Order includes, but is not limited to, the solicitation, transfer, or exercise of any voting rights with respect to any securities issued by any (e)(7)(A) institution. See 12 U.S.C.A. § 1818(e)(6) (West 1989).

2. The foregoing provisions of this Order are subject to the provisions of Section 8(j) of the FDIA, as amended.

3. In accordance with Section 8(b) of the FDIA, as amended, 12 U.S.C.A. § 1818(b) (West 1989) ("Section 8(b)"), Ramiro Colón is hereby ordered to make payment to the Bank of Fifty Thousand United States Dollars (\$50,000), in cash or its equivalent in immediately available funds, upon the execution of this

(Order/Final: 12/10/90)

Stipulation. This payment obligation is the joint and several obligation of Ramiro Colón and Wendell W. Colón.

4. (a) Also in accordance with Section 8(b) of the FDIA, as amended, Ramiro Colón is hereby ordered to make payment (the "Payment") to the Bank of \$1,044,101, which represents (i) \$615,500 paid to him on or about August 8, 1990, pursuant to a Retirement Agreement (the "Retirement Agreement") dated August 8, 1990 by and between the Bank and Ramiro Colón; (ii) \$418,601 paid to him (or for his benefit) from time to time as a result of the Bank's advance indemnification for the legal fees incurred by Ramiro Colón (and Wendell Colón) in connection with the above-captioned matter; and (iii) \$10,000, representing accrued interest on the foregoing sums.

(b) The Payment shall be made in the following manner: By 5:00 p.m. (EST) on the first business day in Puerto Rico following service of this Order on counsel for Ramiro Colón (unless otherwise extended in writing by the OTS), Ramiro Colón shall execute and deliver to the Bank a promissory note (the "Note"), in a form acceptable to the Bank and the OTS, having a principal amount of \$1,044,101, which shall be fully secured by the collateral described below (the "Collateral"). The Note shall bear interest, accruing monthly, at a rate of 10.0 percent per annum, and it shall be due and payable in full no later than one year from the date of execution and delivery of the Note. The Collateral shall, at minimum, consist of (i) one hundred fifty two thousand nine hundred twenty three (152,923) shares of the Bank's common stock (the "Colón Stock"), which shares are identified at

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Addendum A attached hereto and incorporated herein by this reference, and have been pledged to the Bank pursuant to a Pledge Agreement dated September 20, 1990, and (ii) real property consisting of a farm owned by Ramiro Colón in Puerto Rico (the "Real Property"), which Real Property is described at Addendum B attached hereto and incorporated herein by this reference. Ramiro Colón shall execute and deliver to the Bank such documentation, including but not limited to a Mortgage instrument (the "Mortgage"), as is necessary and appropriate, as determined by the Bank and the OTS, to convey to the Bank a valid mortgage interest of first priority in the Real Property under the laws of Puerto Rico. Ramiro Colón also shall execute and deliver to the Bank a pledge agreement (the "Pledge Agreement"), in a form acceptable to the Bank and the OTS, so as to convey to the Bank a valid first lien interest in the Colón Stock under the laws of Puerto Rico. The terms of the Note, the Mortgage, the Pledge Agreement, and related collateral documents shall conform with the terms set forth at Addendum C attached hereto and incorporated herein by this reference.

5. Within two (2) Puerto Rican business days following service of this Order on counsel for Ramiro Colón, Ramiro Colón shall provide the OTS with written notice and evidence of his compliance with the requirements of Paragraphs 3 and 4 of this Order. Such written notice and evidence of compliance shall be

ADDENDUM A
TO FINAL ORDER ISSUED TO RAMIRO L. COLÓN, JR.

DESCRIPTION OF STOCK TO BE PLEDGED
TO PONCE FEDERAL BANK, F.S.B., BY RAMIRO L. COLÓN, JR.

This concerns the Collateral required to be pledged by Ramiro L. Colón, Jr. ("Ramiro Colón") to Ponce Federal Bank, F.S.B. (the "Bank"), pursuant to the terms of Paragraph 4(b) of the attached Final Order Issued to Ramiro L. Colón, Jr. (the "Order"). Terms defined in the Order and used herein shall have the meanings set forth in the Order.

The Colón Stock referred to in Paragraph 4(b) of the Order consists of one hundred fifty two thousand nine hundred twenty three (152,923) shares of the common stock of the Bank issued to Ramiro Colon, and evidenced by the following: (i) Bank stock Certificate Number PC 0001, dated February 23, 1984, for 29,411 shares of the Bank's common stock; and (ii) Bank stock Certificate Number PC 11,526, dated August 8, 1990, for 123,512 shares of the Bank's common stock.

ADDENDUM B
TO FINAL ORDER ISSUED TO RAMIRO L. COLÓN, JR.

DESCRIPTION OF REAL PROPERTY TO BE SUBJECTED TO A FIRST LIEN
MORTGAGE IN FAVOR OF PONCE FEDERAL BANK, F.S.B.,
BY RAMIRO L. COLÓN, JR.

This concerns the Collateral required to be pledged and mortgaged by Ramiro L. Colón, Jr. ("Ramiro Colón") in favor of Ponce Federal Bank, F.S.B. (the "Bank"), pursuant to the terms of Paragraph 4(b) of the attached Final Order Issued to Ramiro L. Colón, Jr. (the "Order"). Terms defined in the Order and used herein shall have the meanings set forth in the Order.

The Real Property referred to in Paragraph 4(b) of the Order is a farm located in Santa Isabel, Puerto Rico, that Ramiro Colón represents is owned in fee simple absolute by Ramiro Colón (and his wife), free and clear of any mortgages, liens, or other encumbrances of record. Ramiro Colón has a reasonable basis to believe that the Real Property currently has a fair market value of no less than \$625,000.

The Real Property has the following legal description:

Name of Farm: Esmeralda # 1

Registered as farm # 4179 folio 201 tomo 114 Santa Isabel.

Farm Description: "RUSTICA" : Estancia denominada porción Esmeralda #1, radicada en el término municipal de Santa Isabel, Barrio Jauca y Rio Jueyes, sitio de Peñuelas, con una cabida superficial de cuatrocientos sesenta y tres cuerdas con nueve mil ochocientos diez y siete milésimas de cuerdas (463.9817 cuerdas) equivalentes a ciento ochenta y dos (182) hectarias, treite y seis (36) areas y 33 centiáreas, en colindancia por el norte con la autopista que conduce hacia San Juan; que la separa de la Hacienda Esmeralda #3; por el sur con la Sucesión de Conrado Díaz y Santiago Hermanos; por el este con la Sucesión de Vicente Usera y por el oeste con la Sucesión de Vicente Usera y Florencio Santiago.

Registered at the Property Registry of Puerto Rico.

ADDENDUM C
TO FINAL ORDER ISSUED TO RAMIRO L. COLÓN, JR.

CERTAIN TERMS AND CONDITIONS OF THE PROMISSORY NOTE AND COLLATERAL
DOCUMENTS REQUIRED TO BE ENTERED INTO BY AND BETWEEN
RAMIRO L. COLÓN, JR., AND PONCE FEDERAL BANK, F.S.B.

This concerns the Promissory Note ("Note"), Mortgage, and related documents, required by Paragraph 4(b) of the attached Final Order Issued to Ramiro L. Colón, Jr. (the "Order"). Terms defined in the Order and used herein shall have the meanings set forth in the Order.

The Note shall be executed by Ramiro L. Colón, Jr. ("Ramiro Colón"), within one Puerto Rican business day following service of the Order on counsel for Ramiro Colón. The Note is intended to evidence an obligation of Ramiro Colón in the amount of one million forty-four thousand one hundred one dollars and no cents (\$1,044,101.00) owed to Ponce Federal Bank, F.S.B. (the "Bank"), Ponce, Puerto Rico, due to the operation of Paragraph 4 of the Order. The Note shall bear interest, accruing monthly at a rate of ten (10.0) percent per annum, and the principal and accrued interest shall be due and payable in full one year from the date of execution and delivery of the Note. The Note shall permit prepayment without penalty. The obligation evidenced by the Note shall be fully secured by a valid pledge and mortgage of the Collateral, described in Paragraph 4(b) of the Order and Addenda A and B attached thereto, so as to establish a valid lien of first priority in favor of the Bank with respect to the Collateral. The Collateral shall initially consist of the Colón Stock and the Real Property, as those terms are defined in Paragraph 4 of the Order.

At no time shall the market value of the Collateral be in an amount less than one hundred twenty percent (120%) of the outstanding unpaid principal and accrued interest under the Note.

Pledge of Colón Stock. The pledge of the Colón Stock shall be effected by (i) delivery to the Bank of the certificates evidencing the Colón Stock, and (ii) the execution and delivery of valid, binding, and enforceable Pledge Agreement. Subject to the requirements hereof, the Pledge Agreement may be in a form similar to that certain Pledge Agreement dated September 20, 1990, entered into by and among Ramiro Colón, his wife, and the Bank.

Mortgage of the Real Property. The conveyance by Ramiro Colón (and his wife) of a valid first lien mortgage interest in the Real Property in favor of the Bank shall be effected by the execution and delivery of a valid, binding, and enforceable Mortgage instrument, which shall be recorded in accordance with the laws of Puerto Rico.

Terms Relating to Maintenance of Collateral, Events of Default. The Note, Pledge Agreement, and Mortgage required hereunder shall provide in substance (in the aforesaid documents or riders attached thereto) the following:

The combined total value of the Collateral at the date of the execution of the Note shall be not less than one thirty-five percent (135%) of the principal amount of the Note. Thereafter, the market value of the Collateral (consisting of the Colón Stock and the Real Property) must be maintained at a value of not less than one hundred twenty percent (120%) of the outstanding

balance of unpaid principal and interest under the Note (the "Collateral Maintenance Amount"). The market value of the Real Property will be determined as set forth in a current report of appraisal (the "Initial Appraisal Report"), based on an appraisal conducted on behalf of the Bank by a qualified appraiser, selected by the Bank; however, Ramiro Colón shall pay for the Initial Appraisal Report.

An Event of Default with respect to the Note shall occur, if, at any time, the Bank, with the concurrence of the Office of Thrift Supervision ("OTS"), believes that the market value of the Collateral is less than the Collateral Maintenance Amount (a "Collateral Deficiency"). The Bank shall provide Ramiro Colón with written notice of a Collateral Deficiency. Except as otherwise provided herein, Ramiro Colón will be allowed five (5) Puerto Rican business days following his receipt of written notice of a Collateral Deficiency (the "Cure Period") to cure a Collateral Deficiency. A Collateral Deficiency may exist based on a reduction in the market value of, or other impairment of the Bank's lien interest in (i) the Real Property (a "Mortgaged Property Deficiency") and/or (ii) the Colón Stock (a "Stock Deficiency").

A Mortgaged Property Deficiency shall occur whenever the Bank, for cause, believes that a Collateral Deficiency exists due to a reduction in the market value

of both the Real Property and the Colón Stock. In other words, a Mortgaged Property Deficiency shall exist whenever (1) the Bank has reason to believe that the market value of the Real Property has dropped below the market value amount set forth in the Initial Appraisal Report, and (2) the sum of (i) that reduced market value of the Real Property and (ii) the current market value of the Colón Stock, is less than the Collateral Maintenance Amount.

If, with respect to a Mortgaged Property Deficiency and prior to the expiration of the Cure Period, Ramiro Colón provides the Bank with a written notice that he disagrees that a Mortgaged Property Deficiency exists, then the Bank shall order a re-appraisal of the Real Property (the "Initial Reappraisal"), at Ramiro Colón's expense, to determine the current market value of the Real Property. If the Bank (with the concurrence of the OTS) determines that more than one re-appraisal is necessary, all appraisals of the Mortgaged Property subsequent to the Initial Reappraisal shall be at the expense of the Bank. If based on the report of a Reappraisal, the Bank's belief of the existence of a Mortgaged Property Deficiency is verified, then the Bank shall provide Ramiro Colón with written notice thereof, and Ramiro Colón shall have a Cure Period to cure such verified Mortgaged Property Deficiency. If a verified Mortgaged Property Deficiency remains outstanding and

uncured following such a Cure Period, then the maturity date of the Note shall be accelerated, such that the principal and accrued interest will be become immediately due and payable, and an Event of Default shall have occurred so that the Bank may (i) exercise its rights of foreclosure with respect to the Collateral, and (ii) seek liquidated damages of two hundred fifty dollars (\$250.00) for each day during which the verified Mortgaged Property Deficiency remained outstanding and uncured.

A Stock Deficiency shall occur whenever the Bank, for cause, believes that a Collateral Deficiency exists due solely to a reduction in the market value of the Colón Stock; the market value of the Colón Stock is determined by calculating the product of (i) 152,923 (the number of shares of the Bank's common stock pledged by Ramiro Colón) with (ii) the per-share market value of the Bank's common stock, determined as the closing price of said stock as quoted on the NASDAQ National Market System. In other words, a Collateral Deficiency shall exist whenever the amount calculated as the sum of (i) the market value of the Colón Stock and (ii) the market value of the Mortgaged Property, as set forth in the Initial Appraisal Report, is less than the Collateral Maintenance Amount. The Bank shall provide Ramiro Colón with written notice of any Stock Deficiency.

If a Stock Deficiency remains outstanding and

uncured following a Cure Period, then the maturity date of the Note shall be accelerated, such that the principal and accrued interest will become immediately due and payable, and an uncured Event of Default shall have occurred so that the Bank may (i) exercise its rights of foreclosure with respect to the Collateral, and (ii) seek liquidated damages of two hundred fifty dollars (\$250.00) for each day during which the uncured Event of Default remained outstanding and uncured.

Miscellaneous Terms.

1. The Mortgage instrument (or an addendum) thereto shall include a provision whereby Ramiro Colón represents and warrants to the Bank that he (and his wife) own the Real Property free and clear of any liens and encumbrances.

2. The Pledge Agreement relative to the Colón Stock shall include a provision whereby Ramiro Colón represents and warrants to the Bank that, at the time of execution thereof, he owns the Colón Stock free and clear of any liens and encumbrances (except for the lien therein in favor of the Bank pursuant to that certain Pledge Agreement dated September 20, 1990, by and between Ramiro Colón and his wife, as parties of the first part, and the Bank, as party of the second part).

3. (a) Both the Mortgage instrument and the Pledge Agreement shall include provisions that are appropriate under the laws of Puerto Rico for the protection of the Bank's lien interests in the Real Property and the Colón Stock, such as provisions similar to

those set forth at the Sixth Paragraph of the aforesaid Pledge Agreement dated September 20, 1990. Therefore, by way of illustration but not of limitation, the Mortgage instrument and Pledge Agreement shall provide in substance that Ramiro Colón (and his wife) will undertake as follows: (i) they will not directly or indirectly transfer, pledge, mortgage, or otherwise encumber the Real Property and the Colón Stock while the Mortgage instrument and Pledge Agreement are in effect; (ii) they will not permit the Real Property and the Colón Stock to be made subject to any order or writ to secure the effectiveness of any judgment, nor to be made subject to any secondary pledges or mortgages; (iii) they shall pay and discharge any and all taxes and assessments, including any income and personal property taxes, expenses, disbursements, commissions and fees related to the Real Property and the Colón Stock; and (iv) they shall executed any endorsements, assignments and any other instruments that may be necessary to accomplish the purposes and objectives of the Mortgage instrument and Pledge Agreement required by the Order.

(b) The Mortgage instrument and Pledge Agreement also shall include a provision whereby Ramiro Colón (and his wife) undertake that they will provide the Bank with written notice of the establishment or filing of any involuntary lien or encumbrance against the Real Property and/or the Colón Stock, within five days of learning of the establishment or filing of any such lien or encumbrance.

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UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION
DEPARTMENT OF THE TREASURY

_____)	
In the Matter of)	
Ramiro L. Colón, Jr.,)	Re: OTS No. 90-1565
Wendell W. Colón,)	
Ponce Federal Bank, F.S.B.,)	STIPULATION TO ORDER
Ponce, Puerto Rico,)	TO RAMIRO L. COLÓN, JR.
and)	
the Directors of)	
Ponce Federal Bank, F.S.B)	
_____)	

This Stipulation (the "Stipulation") is made as of this 7th day of March, 1990, by and between the Director (the "Director") of the Office of Thrift Supervision ("OTS") and Ramiro L. Colón, Jr. ("Ramiro Colón").

RECITALS AND CONSIDERATION

WHEREAS, on August 23, 1990, the Director, in the exercise of authority conferred on him by Section 8 of the Federal Deposit Insurance Act ("FDIA"), as amended, commenced the above-captioned administrative enforcement proceeding by issuing a Notice of Charges dated August 23, 1990 (the "Notice of Charges"), and serving a copy thereof on Ramiro Colón; and

WHEREAS, in settlement of the aforesaid administrative enforcement proceeding against him, Ramiro Colón, without admitting or denying the charges set forth in the Notice of Charges or otherwise admitting any culpability, is willing to stipulate and consent to the issuance of the attached Final Order (the "Order") by the OTS;

NOW, THEREFORE, in consideration of the foregoing premises, the parties hereto hereby enter into the Stipulation.

1. Jurisdiction. Ramiro Colón acknowledges that the OTS is the appropriate Federal banking agency to maintain administrative enforcement proceedings against Ponce Federal Bank, F.S.B. (the "Bank"), Ponce, Puerto Rico, and institution-affiliated parties thereof. Ramiro Colón, solely for the purpose of settling the above-captioned administrative proceeding, acknowledges that the OTS has jurisdiction to issue the Order to him pursuant to Section 8 of the Federal Deposit Insurance Act ("FDIA"), as amended, 12 U.S.C.A. § 1818 (West 1989).

2. Consent. Without admitting or denying that the OTS is empowered to seek the relief contained in the Order and without the Stipulation constituting an admission of any allegations made or implied in the Notice of Charges, Ramiro Colón hereby stipulates and consents to the issuance by the OTS of the Order, and further agrees to comply with the terms of the Order. The Stipulation and consent by Ramiro Colón is in consideration for the agreement by the OTS to refrain from seeking the issuance of additional enforcement orders and/or assessments against Ramiro Colón with respect to any matters (i) reported in the OTS Reports of Examination of the Bank for the examinations commenced on April 18, 1989, and on February 21, 1990, or (ii) discovered by the OTS as a result of its investigative proceeding, commenced pursuant to Federal Home Loan Bank Board Res. No. ERC-89-95, dated August 4, 1989.

3. Finality. The Order is issued by the OTS under the authority of Section 8 of the FDIA, as amended, 12 U.S.C.A. § 1818 (West 1989). Upon issuance of the Order, it shall be a final order that is 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).

4. Waivers. Ramiro Colón, following consultation with counsel, hereby waives the following legal rights:

(i) the right to an administrative hearing of the OTS's charges against him; and

(ii) the right to seek judicial review of the Order, including (but not limited to) any such right provided by Section 8(h) of the FDIA, as amended, 12 U.S.C.A. § 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing and intending to be legally bound hereby, the parties hereto hereby execute this Stipulation.

OFFICE OF THRIFT SUPERVISION
By:

(S)

(S)
Ramiro L. Colón, Jr.

(11/2/90)