

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: NE-10-02
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PAMRAPO SAVINGS BANK, SLA)	Effective Date: January 21, 2010
)	
Bayonne, New Jersey)	
OTS Docket No. 05584)	

ORDER TO CEASE AND DESIST

WHEREAS, Pamrapo Savings Bank, SLA, Bayonne, New Jersey, OTS Docket No. 05584 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Northeast Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association and its directors, 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 the deficiencies in its operations, failure to comply with the requirements of laws and regulations, and/or unsafe or unsound banking practices that resulted in:

- (a) operating the Association with a board of directors that has failed to exercise proper oversight of the Association; and
- (b) operating the Association without experienced managers, and failing to establish and implement an appropriate Management Plan as previously required by the OTS.

Business Plan.

2. By no later than February 28, 2010, the Association shall submit an updated comprehensive three-year business plan for calendar years 2010 to 2012 (Business Plan) that is acceptable to the Regional Director. At a minimum, the Business Plan shall include:

- (a) plans and strategies to control expenses, ensure the soundness of the Association's operations, and maintain positive core income and profitability on a consistent basis;
- (b) strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, comply with this order, and maintain appropriate levels of liquidity;
- (c) quarterly pro forma financial projections (balance sheet, capital forecasts, and income statement); and
- (d) identification of all relevant assumptions made in formulating the Business Plan and retention of documentation supporting such assumptions.

3. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall immediately implement the Business Plan.

4. Any material modifications to the Business Plan must receive the prior written non-objection of the Regional Director.¹ The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

5. Within forty-five (45) days after the close of each calendar quarter, beginning with the calendar quarter ending June 30, 2010, the Board shall review quarterly variance reports (Variance Reports) on the Association's compliance with the Business Plan.

The Variance Reports shall:

- (a) identify material variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

New Independent Board Members.

6. If the sale or merger of the Association is not completed by March 31, 2010, the Association shall, consistent with 12 C.F.R. § 563.550, appoint at least three (3) new qualified members for the Board of Directors (Board) by no later than April 15, 2010, who are independent with respect to the Association, and have substantial banking, financial regulatory, financial management, or accounting experience.

7. For purposes of this Order, an individual who is "independent with respect to the Association" shall be any individual who:

- (a) is not employed in any capacity by the Association, its subsidiaries, or its affiliates, other than as a director;

A modification shall be considered material under this Section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

- (b) does not own or control more than ten percent (10%) of the outstanding shares of the Association or its affiliates;
- (c) is not related by blood or marriage to any officer or director of the Association or its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Association or its affiliates, and who does not otherwise share a common financial interest with any such officer, director or shareholder; and
- (d) is not indebted, directly or indirectly, to the Association or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding five percent (5%) of the Association's total Tier 1 capital and allowance for loan and lease losses.

Management Plan.

8. By no later than January 31, 2010, the Board shall conduct a review of current management and prepare, and submit to the Regional Director for non-objection, a management plan (Management Plan). The Management Plan shall, at a minimum:

- (a) require the retention of a qualified and experienced permanent Chief Executive Officer by March 31, 2010;
- (b) address all recommended correction actions set forth in the July 6, 2009 Report of Examination (2009 ROE) relating to management;
- (c) identify present and future staffing and management requirements for each area of the Association, including but not limited to, the positions of Chief Operating Officer, Chief Lending Officer, Compliance Officer, and BSA Compliance Officer;

- (d) evaluate the performance of the Association's current management and directors including an assessment of whether compensation is commensurate with job performance and responsibilities in compliance with 12 C.F.R. § 563.161(b);
- (e) delineate standards by which management's effectiveness will be measured;
- (f) assess the adequacy of communication between management and the Board, and the quality and timeliness of management's reports to the Board; and
- (g) require a plan to upgrade the Association's information systems and management reports to ensure a comprehensive and effective reporting system to senior management and the Board.

9. Immediately following receipt from the Regional Director of written notice of non-objection to the Management Plan (with such revisions as may be required by the Regional Director), the Association shall implement and adhere to the Management Plan.

10. Within fifteen (15) days after (a) the Association fails to submit the Management Plan; or (b) upon written notification by the Regional Director that the Association has failed to comply with the Management Plan, or (c) any request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.

11. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary liquidation by filing an appropriate application with the OTS in conformity with federal laws and regulations.

12. Upon receipt of notification from the Regional Director, the Association shall implement the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1st) and fifteenth (15th) of each calendar month following implementation of the Contingency Plan.

Internal Controls.

13. Effective immediately, the Association shall maintain adequate and effective internal controls and corporate governance policies, procedures and practices, including at a minimum, a comprehensive internal audit program, independent compliance oversight program, and an effective internal loan review program. By no later than January 31, 2009, the Association shall also address all recommended corrective actions set forth in the 2009 ROE relating to internal controls.

Corrective Actions.

14. By no later than January 31, 2010, the Association shall ensure that each item noted in the Matters Requiring Board Attention section of the 2009 ROE are addressed and corrected.

Violations of Law.

15. By no later than January 31, 2010, the Association shall ensure that all violations of law, rule, and/or regulation discussed in the 2009 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

16. Within 30 days of receipt of any subsequent internal or external report citing or discussing any violation of law, rule, or regulation, the Association shall ensure that all identified

violations of law, rule, and/or regulation are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Brokered Deposits.

17. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

Growth.

18. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

Effective Date, Incorporation of Stipulation.

19. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

20. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives. Nothing in this Order is intended to terminate or suspend the prior Order to Cease and Desist between the OTS and the Association, effective September 26, 2008.

Time Calculations.

21. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

22. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

UNITED STATES OF AMERICA
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Order No.: NE-10-02

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PAMRAPO SAVINGS BANK, SLA)

Effective Date: January 21, 2010

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Bayonne, New Jersey)
OTS Docket No. 05584)
_____)

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Northeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Pamrapo Savings Bank, SLA, Bayonne, New Jersey, OTS Docket No. 05584 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its July 6, 2009 examination of the Association, the OTS finds that the Association has failed to correct deficiencies in its operations, failed to comply with the requirements of laws and regulations to which the Association is subject and/or engaged in practices considered to be unsafe and unsound including:

(a) operating the Association with a board of directors that has failed to exercise proper oversight of the Association; and

(b) operating the Association without experienced managers, and failing to establish and implement an appropriate management succession plan as previously required by the OTS.

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements

of law.

Finality.

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:
- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
 - (c) 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
 - (d) any and all claims against the 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 common law, federal statutes, or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

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

10. If any provision of this Stipulation and/or the 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 or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Stipulation.

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