

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

_____ )	
In the Matter of )	Order No.: NE-11-10
)	
<b>COMMUNITY FSB HOLDING COMPANY</b> )	Effective Date: February 17, 2011
)	
Woodhaven, New York )	
OTS Docket No. H3691 )	
_____ )	

**ORDER TO CEASE AND DESIST**

**WHEREAS**, Community FSB Holding Company, Woodhaven, New York, OTS Docket No. H3691 (Holding Company), 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 Holding Company, 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 and loan holding company has consented to the issuance of an order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Cease and Desist.**

1. The Holding Company 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 unsafe or unsound practices that resulted in inadequate capitalization, inadequate earnings to fund growth and augment capital, and an excessive level of adversely classified loans and non-performing assets and the commission of violations of regulation at its wholly owned subsidiary, Community Federal Savings Bank, Woodhaven, New York, OTS Docket No. 17528 (Association).

**Association Oversight.**

2. Effective immediately, the Holding Company shall ensure the Association's compliance with all applicable laws, rules, and regulations and all terms and conditions of the Order to Cease and Desist issued by the OTS against the Association, OTS Order NE-11-09, with an effective date of February 17, 2011 (Association Order).

**Capital Maintenance Plan.**

3. Within thirty (30) days, the Holding Company shall submit for Regional Director review and non-objection a written plan to maintain the capital of the Holding Company and the Association and to ensure that the Association complies with the capital requirements imposed by the Association Order (Capital Maintenance Plan). The Capital Maintenance Plan shall:

- (a) address the requirements and restrictions imposed by this Order and the Association Order;
- (b) identify the specific sources of additional capital and the timeframes and methods by which additional capital will be raised and infused into the Association, if necessary, including specific target dates and capital levels;

(c) establish an alternative strategy including, but not limited to, seeking a merger or acquisition partner for the Holding Company and/or the Association, to be implemented immediately if the Holding Company's primary strategy to raise and infuse additional capital is unsuccessful; and

(d) require the Board to review, on a monthly basis, the Holding Company's compliance with its Capital Maintenance Plan and the Association's compliance with the Capital Plan required in the Association Order.

4. Immediately upon receipt of written non-objection from the Regional Director, the Holding Company shall implement and adhere to the Capital Maintenance Plan. The Board's review of the Capital Maintenance Plan shall be documented in the Board meeting minutes.

**Capital Distributions and Stock Repurchases.**

5. Effective immediately, the Holding Company shall not declare, make, or pay any dividends (inclusive of dividends paid on preferred stock) or other capital distributions, or repurchase or redeem any capital stock without receiving the prior written non-objection of the Regional Director. The Holding Company's written request for such non-objection shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed dividend payment, capital distribution, or stock redemption.

**Debt Limitations.**

6. Effective immediately, the Holding Company shall not incur, issue, renew, repurchase, or rollover any debt,<sup>1</sup> increase any current lines of credit, or guarantee the debt of any entity without

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<sup>1</sup> For purposes of this Paragraph of the Order, the term "debt" includes, but is not limited to: loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt; and does not include: liabilities that are incurred in the ordinary course of business to acquire goods and services and that are normally recorded as accounts payable under generally accepted accounting principles.

receiving the prior written notice of non-objection of the Regional Director. The Holding Company's written request for such non-objection shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of any such proposed action.

**Directorate and Management Changes.**

7. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Offices<sup>2</sup> as set forth in 12 C.F.R. Part 563, Subpart H.

**Employment Contracts/Compensation Arrangements.**

8. Effective immediately, the Holding Company shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or Director of the Holding Company, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement, or a detailed written description of the compensation arrangement to be offered such Officer or Director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359.

**Golden Parachute Payments.**

9. Effective immediately, the Holding Company shall not make any golden parachute payment<sup>3</sup> unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359.

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<sup>2</sup> The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

<sup>3</sup> The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

**Board Oversight of Compliance with Order.**

10. Effective immediately, the Board shall monitor and coordinate the Holding Company's compliance with the provisions of this Order and the completion of all corrective actions required in the October 13, 2010 Report of Examination of the Holding Company (HC 2010 ROE) and the Association's compliance with the Association Order and the August 23, 2010 Report of Examination of the Association (Association 2010 ROE). The Board shall review and adopt all plans, policies and procedures required by this Order prior to submission to the OTS.

11. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Holding Company shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order, the HC 2010 ROE, and the Association 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

12. Within sixty (60) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

13. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Holding Company's compliance with the provisions of this Order.

**Effective Date, Incorporation of Stipulation.**

14. 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.**

15. 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.

**Time Calculations.**

16. 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.

17. 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 Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

18. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

19. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

- (a) To the OTS:  
Michael E. Finn, Regional Director  
Office of Thrift Supervision  
Attn: Thomas S. Angstadt, Assistant Director  
Harborside Financial Center Plaza Five  
Suite 1600  
Jersey City, New Jersey 07311
- (b) To the Holding Company:  
Joseph A. Ruggiere, Chairman of the Board  
Community FSB Holding Company  
89-07 Jamaica Avenue  
Woodhaven, NY 11421

**No Violations Authorized.**

20. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_/s/\_\_\_\_\_  
Michael E. Finn  
Regional Director, Northeast Region

Date: See Effective Date on page 1

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<b>COMMUNITY FSB HOLDING COMPANY</b> )	Effective Date: February 17, 2011
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OTS Docket No. H3691 )	
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**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 Community FSB Holding Company, Woodhaven, New York, OTS Docket No. H3691 (Holding Company), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company 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 and loan holding company has consented to the issuance of an order; and

**WHEREAS**, the Holding Company desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceedings 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 through 3 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**Jurisdiction.**

1. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate cease and desist proceedings against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe or unsound acts or practices.

3. 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 and loan holding company. Therefore, the Holding Company 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.**

4. Based on its October 13, 2010 examination of the Holding Company (HC 2010 ROE), the OTS finds that the Holding Company has engaged in unsafe or unsound banking practices that resulted in inadequate capitalization, inadequate earnings to fund growth and augment capital, and an excessive level of adversely classified loans and non-performing assets and the commission of violations of regulation at its wholly owned subsidiary, Community Federal Savings Bank, Woodhaven, New York, OTS Docket No. 17528 (Association).

**Consent.**

5. The Holding Company consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Holding Company 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.**

6. 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.**

7. The Holding Company 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.**

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company 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.**

9. The Holding Company 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 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company 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.**

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

11. 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.

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

13. 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.

14. 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.

15. 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.**

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

**[Remainder of Page Intentionally Left Blank]**

**WHEREFORE**, the Holding Company, by its directors, executes this Stipulation.

Accepted by:

**COMMUNITY FSB HOLDING COMPANY**  
Woodhaven, New York

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_/s/\_\_\_\_\_  
Joseph A. Ruggiere  
Chairman

By: \_\_\_\_\_/s/\_\_\_\_\_  
Michael E. Finn  
Regional Director, Northeast Region

Date: See Effective Date on page 1

\_\_\_\_\_/s/\_\_\_\_\_  
Stuart G. Hoffer, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Franklin T. Gourdet, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Richard A. Lashley, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Wayne A. Ruggiere, Director