

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

and

THE COMMONWEALTH OF MASSACHUSETTS

DIVISION OF BANKS

	)	
In the Matter of:	)	
	)	
ONEUNITED BANK	)	ORDER TO CEASE AND DESIST
BOSTON, MASSACHUSETTS	)	
	)	FDIC-08-294b
(INSURED STATE NONMEMBER BANK)	)	
	)	

OneUnited Bank, Boston, Massachusetts ("Bank") and its institution-affiliated parties, as that term is defined in section 3(u) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(u), and its successors and assignees having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law alleged to have been committed by the Bank and of its right to a hearing on such alleged charges under section 8(b)(1) of the Act, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and the Commonwealth of

Massachusetts Division of Banks ("Division"), dated October , 2008, whereby solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices or violations of law, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and violations of law. The FDIC and the Division, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank and its institution-affiliated parties, and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law:

- a. Operating with an inadequate level of capital for the kind and quality of assets held;
- b. Failing to provide adequate supervision and direction over the officers of the Bank;
- c. Operating without an appropriate risk management program that establishes acceptable risk exposure and ensures appropriate policies and practices are in place;
- d. Allowing the payment of excessive compensation, fees and benefits to its senior executive officers;

- e. Operating with an excessive level of criticized assets;
- f. Operating without effective underwriting standards and practices;
- g. Operating without an effective loan documentation program;
- h. Failing to provide for an effective system to identify problem assets and prevent deterioration;
- i. Engaging in speculative investment practices and failing to prudently diversify its equities portfolio;
- j. Operating without a system to monitor and evaluate earnings and ensure maintenance of adequate capital and reserves;
- k. Operating with deficient earnings;
- l. Operating without sufficient liquidity, in light of the asset and liability mix and overall financial condition of the Bank; and
- m. Committing violations of law and regulation.

IT IS FURTHER ORDERED that the Bank take affirmative action as follows:

1. (a) The Bank shall achieve and maintain the following minimum capital levels after establishing an adequate Allowance:

(i) Tier 1 capital at least equal to five percent (5.0%) of total assets;

(ii) Tier 1 risk-based capital at least equal to

six percent (6.0%) of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to ten percent (10%) of total risk-weighted assets.

(b) In the event any of the foregoing ratios falls below the established minimum, the Bank shall notify the Area Director of the Boston Area Office of the FDIC ("Area Director") and the Commissioner of Banks of the Commonwealth of Massachusetts ("Commissioner") and shall increase capital in an amount sufficient to comply with this provision within ninety (90) days.

(c) The Bank shall not initiate a plan to increase total assets by more than two and one-half percent (2.5%) during any consecutive three-month period, or more than eight percent (8.0%) during any twelve-month period during the life of the Order.

2. (a) Within thirty (30) days of the effective date of this ORDER, the Bank's Board of Directors ("Board") shall develop a capital plan ("Capital Plan") that shall be submitted to the Area Director and the Commissioner for review and comment. Within fifteen (15) days of receipt of all such comments from the Area Director and the Commissioner, and after incorporation and adoption of all such comments, the Bank shall approve the revised Capital Plan, which approval shall be recorded in the minutes of the meetings of the Board.

Thereafter, the Bank shall implement and fully comply with the Capital Plan. The Board shall review the Bank's adherence to the Capital Plan on a semi-annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner. At a minimum, the Capital Plan shall include:

- (i) specific plans to achieve the capital levels required under the plan and this ORDER;

- (ii) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of the provisions of this ORDER;

- (iii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic business plan;

- (iv) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs;

- (v) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs;

- (vi) contingency plans that identify alternative sources of capital should the primary source(s) under (v) above not be available; and

(vii) a dividend policy that permits the declaration of a dividend only on capital raised subsequent to September 30, 2008 and only:

A) when the Bank is in compliance with its approved capital program;

B) when the Bank is in compliance with applicable State and Federal laws and regulations;

C) when, after payment of such dividends, the Bank remains in compliance with the above minimum capital ratios;

D) when such declaration and payment of dividends has been approved in advance by the Board of Directors of the Bank; and

E) when such declaration and payment of dividends has been approved in advance, in writing, by the Area Director and the Commissioner.

(b) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this provision.

(c) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(i) the sale of new securities in the form of

common stock;

(ii) the sale of noncumulative perpetual preferred stock;

(iii) the direct contribution of cash by the directors or shareholders of the Bank; or

(iv) any other method acceptable to the FDIC and the Commissioner approved in advance in writing by the Area Director and the Commissioner.

(d) To achieve the capital levels set forth in this Order, the Bank shall commit to raise capital in the form of common stock so that common stock becomes the dominant form of capital (over 50%). Within forty-eight (48) months the Bank shall achieve the foregoing.

(e) No increase in Tier 1 capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's allowance for loan and lease losses ("Allowance") or other reserve accounts. Further, the Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of Bank or affiliate stock or other securities, or to any investor by any other means for any portion of any increase in Tier 1 capital required herein.

3. (a) If all or part of the increase in capital required by the provisions of this paragraph is accomplished by the sale of new securities, the Bank's Board shall adopt and

implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the Area Director, the FDIC's Registration, Disclosure, and Securities Unit, 550 17th Street, N.W., Room F-6053, Washington, D.C. 20429 and the Commissioner for review. Any changes requested by the FDIC or the Division to be made in the plan or materials shall be made prior to their dissemination. If any part of the increase in Tier 1 capital is to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to the interest rate and any convertibility factor, shall be subject to the Area Director's

and the Commissioner's prior written approval.

(b) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within fifteen (15) days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

4. (a) Within sixty (60) days from the effective date of this ORDER, the Board shall engage an independent third party acceptable to the Area Director and the Commissioner who/which possesses appropriate expertise and qualifications to analyze and assess the Bank's management, including the Board of Directors, and staffing performance and needs. The engagement shall require that the analysis and assessment be summarized in a written report to the Board ("Management Report"). Within sixty (60) days of receipt of the Management Report, the Board will conduct a full and complete review of the Management Report, which review shall be recorded in the minutes of the

meeting of the Board.

(b) The Bank shall provide the Area Director and the Commissioner with a copy of the proposed engagement letter or contract with the third party for review and approval before it is executed. The contract or engagement letter, at a minimum, shall include:

(i) a description of the work to be performed under the contract or engagement letter, the fees for each significant element of the engagement, and the aggregate fee;

(ii) the responsibilities of the firm or individual;

(iii) an identification of the professional standards covering the work to be performed;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the employee(s) who are to perform the work;

(vi) the time frame for completion of the work;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted examiner access to workpapers; and

(ix) a certification that the firm or individual is not affiliated in any manner with the Bank.

(c) Within sixty (60) days of receipt of the Management Report, the Board will develop a written Management Plan ("Management Plan") that incorporates the findings of the Management Report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. A copy of the Management Report and Management Plan and any subsequent modification thereto shall be submitted to the Area Director and the Commissioner for review and comment. Within thirty (30) days from receipt of any comment, and after incorporation and adoption of any such comments, the Board shall approve the Management Plan which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the Board to fully implement the Management Plan within the specified time frames. In the event the Management Plan, or any portion thereof, is not implemented, the Board shall immediately advise the Area Director and the Commissioner, in writing, of specific reasons for deviating from the Management Plan. At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Management Report or otherwise communicated to the Bank, along with a copy of any report(s) prepared by the

outside consultant(s);

(ii) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank, detailing any vacancies or additional needs and giving appropriate consideration to the size and complexity of the Bank;

(iii) identify the type and number of staff positions needed to carry out the Bank's strategic plan, detailing any vacancies or additional needs;

(iv) identify the authorities, responsibilities, and accountabilities attributable to each position, as well as the appropriateness of the authorities, responsibilities, and accountabilities, giving due consideration to the relevant knowledge, skills, abilities, and experience of the incumbent (if any) and the existing or proposed compensation;

(v) present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority and performance objectives;

(vi) identify the appropriate level of current and deferred compensation to each officer and staff position, including executive officer positions;

(vii) evaluate the current and past performance of all existing members of the Board of Directors, indicating

whether the individuals are qualified to fulfill present and anticipated fiduciary duties, provide for adequate policies and procedures to guide the Bank's management team, and to effectively and prudently oversee the management team.

(viii) identify and establish Bank committees needed to provide guidance and oversight to management;

(ix) identify Bank officers, including executive officers and staff members, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner;

(x) establish requirements and methodologies to periodically evaluate each individual's job performance;

(xi) establish a plan to terminate, rotate, or reassign officers and staff as necessary, as well as recruit and retain qualified personnel consistent with the Board's analysis and assessment of the Bank's staffing needs;

(xii) identify training and development needs, and incorporate a plan to provide such training and development;

(xiii) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer, director, and staff member;

(xiv) contain a current organizational chart that

identifies all existing and proposed staff and officer positions, delineates related lines of authority and accountability, and establish a written plan for addressing any identified needs; and

(xv) contain a current management succession plan.

5. During the life of this ORDER, the Bank shall notify the Area Director and the Commissioner in writing of any resignations and/or terminations of any members of its Board of directors and/or any of its senior officer(s) within fifteen (15) days of the event. The Bank shall also establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 through 303.103. In addition, the Bank shall notify the Area Director and Commissioner in writing when it proposes to add any individual to the Bank's Board or employ any individual as a senior executive officer. The notification must be received at least fifteen (15) days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual(s) to be added or employed.

6. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall rescind any and all lease agreements, contracts or arrangements with, and shall cease

paying for any expenses related to, 703 Pacific Palisades Beach Road, LLC, its principals, successors or assigns.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall sell all Bank-owned automobiles and other vehicles provided to or for the use of the Bank's executive officers; and shall require all executive officers to reimburse the Bank for the fair market value of any automobiles or vehicles purchased by the Bank in the names of such executive officers or their related interests.

(c) Within ninety (90) days from the effective date of this ORDER, the Bank shall amend the supplemental health benefits for the Chairman of the Board, Chief Executive Officer and President, so that such benefits are comparable to those currently available to other executive officers of the Bank.

(d) Within sixty (60) days from the effective date of this ORDER, the Board shall engage a qualified independent consultant, acceptable to the Area Director and the Commissioner, to assess the appropriateness of all current and deferred compensation paid to the Chairman and Chief Executive Officer and the President, in light of each individual's competence, responsibilities, and performance. The analysis will include a comparison of such compensation to that of Banks of comparable size and complexity, and, based on the forgoing analyses and comparisons, will identify an appropriate level of

compensation for each individual. The analysis will also include a determination of the reasonableness of all perquisites, including, but not limited to items such as housing and automobile allowances and/or benefits. Within thirty (30) days of receipt of the consultant's analysis, the Bank will provide a copy to the Area Director and the Commissioner for review and comment. Within sixty (60) days of receipt of the report, the Board will determine an appropriate level of compensation which determination will be submitted to the Area Director and the Commissioner for review and comment. Within fifteen (15) days of receipt of all such comments from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank will implement the compensation levels. During the life of this ORDER, such compensation will not increase without the prior written approval of the Area Director and the Commissioner. For the purpose of this paragraph, "compensate" and "compensation" refers to any and all salaries, bonuses, and other benefits of every kind and nature whatsoever, whether paid directly or indirectly.

7. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall formulate a written policy covering reimbursement to its directors, officers, and employees for expenses. At a minimum, the policy shall include provisions

which:

(i) identify the type and nature of fees and expenses for which the Bank will provide reimbursement, including, but not limited to, expenses for customer entertainment and business development, and including dollar limitations based on the nature of each individual's position and duties, as well as the appropriateness of incurring such expenses;

(ii) identify the directors, officers, and employees authorized to incur expenses for which the Bank will provide reimbursement;

(iii) establish thresholds which, when exceeded, require the prior approval of designated Bank officials (including senior officers, the Bank's Board, or a designated committee thereof) along with procedures by which such approvals may be sought and considered;

(iv) require complete documentation of all expenses prior to Bank reimbursement, including the submission of original receipt(s), identification of the person(s) who incurred the expense and the person(s) for whom the funds were expended, and the business purpose of the expense; and

(v) prohibit reimbursement of personal expenses of the Bank's directors, officers, and employees.

(b) Within one hundred and twenty (120) days of the

effective date of this Order, the Bank shall submit the policy to the Area Director and the Commissioner for review and comment. Within thirty (30) days from the receipt of any comment from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

(c) While this ORDER is in effect, the Bank's Board will perform monthly reviews of all expenses submitted for reimbursement by the Bank's directors, officers, and employees, with the results noted in the minutes of the meeting of the Board. The Bank will immediately seek reimbursement for any reimbursed expenses which are not in conformance with the policy established pursuant to this provision, or state in the Board minutes the justification for deviation from the policy.

8. As long as this ORDER remains in effect, within thirty (30) days after the receipt of any future Report of Examination of the Bank from the FDIC and/or the Commissioner, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any Report of Examination that have not been previously collected or charged off.

9. (a) Within sixty (60) days from the effective date of

this ORDER, the Bank shall formulate a written plan to reduce the Bank's risk exposure in each asset relationship in excess of \$1,000,000 classified as "Substandard" in the 2007 Report of Examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and/or the Commissioner. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) a schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) a schedule showing, on a quarterly

basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 capital plus the Allowance;

(iv) a provision for the Bank's submission of monthly written progress reports to its Board; and

(v) a provision mandating Board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the Board.

(c) The Bank shall immediately submit the plan to the Area Director and the Commissioner for review and comment. Within thirty (30) days from receipt of any comment from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan.

10. Within sixty (60) days from the effective date of this ORDER, the Bank shall develop a plan to correct all deficiencies in the assets listed for "Special Mention." The Bank shall immediately submit the plan to the Area Director and the Commissioner for review and comment. Within thirty (30) days from receipt of any comment from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the plan, which

approval shall be recorded in the minutes of the Board of directors meeting. Thereafter, the Bank shall implement and fully comply with the plan.

11. (a) Within sixty (60) days of the effective date of this ORDER, the Board shall develop a program of independent loan review ("Loan Review Program") that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the Loan Review Program shall provide for:

- (i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

- (ii) action plans to reduce the Bank's risk exposure from each identified relationship;

- (iii) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from

the aggregate relationship;

(iv) identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank's risk exposure;

(v) assessment of the overall quality of the loan portfolio;

(vi) identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(vii) identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(viii) identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;

(ix) identification of loans to directors, officers, principal shareholders, and their related interests;

(x) an assessment of the ability of individual members of the lending staff to operate within the framework of the Bank's loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(xi) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in

paragraphs (i) through (x) above to the Board. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Bank shall submit the Loan Review Program to the Area Director and the Commissioner for review and comment. Within thirty (30) days from receipt of any comment from the Area Director or the Commissioner, and after due consideration of any required changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the program.

(c) Upon implementation, a copy of each periodic report required in paragraph 11 (a) shall be submitted to the Board, as well as documentation of the actions taken by the Bank or recommendations to the Board that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or other elements of the Bank's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the Board.

12. (a) Within sixty (60) days from the effective date of this ORDER, the Board shall establish a comprehensive policy and methodology for determining the adequacy of the Allowance. The policy shall provide for a review of the Allowance at least once

each calendar quarter and be completed at least fifteen (15) days prior to the end of each quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Consolidated Reports of Condition and Income.

Such reviews shall, at a minimum, include the following:

(i) the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income, the Interagency Statement of Policy on the Allowance, other applicable regulatory guidance that addresses the adequacy of the Bank's Allowance, and any analysis of the Bank's Allowance provided by the FDIC and the Commissioner;

(ii) the volume and mix of the overall loan portfolio, including trends in the portfolio mix by loan type and geography, trends in the severity of nonperforming or delinquent loans, trends in the severity of weaknesses in extensions of credit identified as "Special Mention" and adversely classified in the latest Report of Examination;

(iii) previous loan loss experience by loan type, including the level, trends, and severity of overdrafts, trend of net charge-offs as a percent of average loans over the past several years, as well as an analysis of net charge-offs experienced on previously adversely classified loans;

(iv) the degree of risk associated with renewed

and extended loans;

(v) the volume, trend, rate and duration of loan growth;

(vi) the results of internal loan reviews;

(vii) concentrations of credit and significant individual credits;

(viii) present and prospective economic conditions, generally and locally;

(ix) off-balance sheet credit risks; and

(x) any other factors appropriate in determining future Allowances, including changes in the Bank's strategic plan, and loan products and markets.

(c) A deficiency in the Allowance shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank's submission of its Consolidated Report of Condition and Income. The Board shall thereafter maintain an appropriate Allowance.

(d) The Bank shall submit the policy to the Area Director and the Commissioner for review and comment. Within thirty (30) days from receipt of any comment from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the

Board meeting. Thereafter, the Bank shall implement and fully comply with the policy.

(e) While this ORDER is in effect, the Bank shall submit to the Area Director and the Commissioner the analysis supporting the determination of the adequacy of the Allowance. These submissions may be made at such times as the Bank files the quarter-end progress reports otherwise required by this ORDER. The Bank's policy and methodology for determining the adequacy of the Bank's Allowance and its implementation shall be subject to the approval of the Area Director and the Commissioner. In the event that the Area Director or the Commissioner determines that the Bank's Allowance is inadequate, the Bank shall increase the Allowance and amend its Consolidated Reports of Condition and Income accordingly.

13. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise its written investment policy. At a minimum, the policy shall address:

- (i) the Board's investment goals;
- (ii) authorized activities and instruments;
- (iii) permissible securities, including the types of investments permitted for purchase and retention, diversification of investments, the desired mix among those investments and their maturity distribution;
- (iv) securities pledging;

(v) risk limits, including credit, market, and other applicable risks;

(vi) risk and performance measurement;

(vii) maturity guidelines;

(viii) pre-purchase analysis guidelines;

(ix) internal controls and independent review;

(x) selection of broker/dealers;

(xii) reporting; and

(xiii) accounting and taxation.

(b) The Bank shall submit the investment policy to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director or the Commissioner, and after incorporation and adoption of all such required comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the investment policy.

14. Within ninety (90) days from the date of this ORDER, the Bank shall develop and fully implement a written profit plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The Profit Plan and any subsequent modification thereto shall be submitted to the Area Director and the

Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meetings of the Board. Thereafter, the Bank shall implement and fully comply with the Profit Plan. The written Profit Plan shall include, at a minimum:

- (a) identification of the major areas in and means by which the Bank will seek to improve operating performance;
- (b) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain appropriate provisions to the Allowance;
- (c) realistic and comprehensive budgets for all categories of income and expense items;
- (d) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;
- (e) coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and Allowance methodology with the profit and budget planning;

(f) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly; recording the results of the evaluation and any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken; and,

(g) identification of personnel responsible for implementing each of the goals and strategies of the Profit Plan.

15. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall review its written funds management policies and plans, and amend each as recommended in the 2007 Report of Examination. The Bank shall submit the policies and plans, and any future modifications, to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the revised policies and plans, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the policies and plans. Annually or more frequently thereafter, while this ORDER is in effect, the Bank shall review this policy for adequacy and,

based upon the above criteria, shall make necessary revisions to the policy. At a minimum, the policies and plan shall:

(i) Provide for the establishment of an asset/liability committee and define its membership, responsibilities and authorities, minimum frequency of meetings, reporting from management, and reporting to the Board;

(ii) Identify personnel responsible for the funds management functions within the Bank;

(iii) Provide a statement of the Bank's long-term and short-term liquidity needs and plans for ensuring that such needs are met;

(iv) Provide for a periodic review of the Bank's deposit structure. Include the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;

(v) Establish target liquidity and dependency ratios and/or parameters;

(vi) Provide for a periodic calculation to measure the liquidity posture. Review performance with established liquidity ratio targets. Review compliance with required legal reserves;

(vii) Provide for a periodic calculation to determine the extent to which the Bank is funding long-term assets with short-term liabilities;

(viii) Establish parameters for use, volume, and maturities of brokered deposits, deposits obtained through solicitation services, and borrowings;

(ix) Address coordination among the Bank's loan, investment, operating, and budget and profit planning policies with the written funds management policy;

(x) Provide a method of computing the Bank's cost of funds;

(xi) Provide a method of loan pricing that considers cost of funds, overhead and administrative costs, and desired profits. Determine when to use fixed rates and when to use floating rates;

(xii) In conjunction with the Bank's lending activities, determine which types of loans are permitted and desirable, the desired mix among different types of loans, the volume of loans compared to total deposits and total loans, upcoming loan maturities, and loan commitments outstanding;

(xiii) Review possible alternative sources of funds and address their use. Establish lines of credit and test accessibility on a periodic basis, but no less frequently than annually;

(xiv) Provide for tax planning; and

(xv) Establish contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs.

16. (a) Further, within one hundred and twenty (120) days after the effective date of the ORDER, the Bank shall review, and amend as recommended in the 2007 Report of Examination, the Bank's written interest rate risk policy. At a minimum, the policy shall include guidelines for the following:

(i) Measures designed to control the nature and amount of interest rate risk the Bank takes, including those that specify risk limits and define lines of responsibilities and authority for managing risk;

(ii) A system for identifying and measuring interest rate risk, including a periodic calculation to measure interest rate risk exposure at various time horizons, and establish target ratios;

(iii) Establish goals and strategies for reducing and managing the Bank's interest rate risk exposure;

(iv) A system for monitoring and reporting risk exposures; and

(v) A system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

(b) The Bank shall submit the policy and any future modifications to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director or the Commissioner and after incorporation and adoption of any required changes, the Bank shall approve the revised policy, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the policy. Annually or more frequently thereafter, while this ORDER is in effect, the Bank shall review this plan for adequacy and, based upon the above criteria, shall make necessary revisions to the plan.

17. During the life of this ORDER, the Bank shall file with the FDIC Consolidated Reports of Condition and Income that accurately reflect the financial condition of the Institution as of the reporting period. In particular, such Reports shall incorporate any adjustment in the Bank's books made necessary or appropriate as a consequence of any FDIC or Division examination of the Bank during that reporting period, to include:

(i) Provision for loan losses and an Allowance which are adequate considering the condition of the Bank's loan portfolio;

(ii) Other restatements as detailed in the FDIC or Division examination of the Bank, or as required under this

ORDER.

(c) Further, and during the life of this ORDER, the accuracy of the Bank's Consolidated Reports of Condition and Income shall be reviewed by the Board and attested to by at least two Directors of the Bank, other than the officer signing the declaration on the cover (signature) page.

18. Within ninety (90) days after the effective date of this ORDER, the Bank shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all violations of laws, rules and regulations cited by the FDIC in the 2007 Report of Examination. In addition, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules and regulations.

19. (a) Within thirty (30) days from the effective date of this ORDER, the Bank's Board shall adopt and implement a program that will provide for monitoring of the Bank's compliance with this ORDER. The Bank shall submit the program, and any future modifications, to the Area Director and the Commissioner for review and comment. Within thirty (30) days of receipt of all such comments from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the revised program, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully

comply with the program. Following the adoption of the program, the Bank's Board shall review the Bank's compliance with this ORDER and record its review in the minutes of the meeting of the Board. At a minimum, the program will incorporate the following:

(b) Within thirty (30) days from the effective of this ORDER, the Board shall establish a Board committee, consisting of at least six (6) members, responsible for ensuring compliance with the ORDER, overseeing corrective measures with respect to the ORDER, and reporting to the Board. More than fifty percent (50%) of the members of the committee shall be independent directors as defined herein. The committee shall monitor compliance with this ORDER and, within thirty (30) days from the effective date of this ORDER, and every thirty (30) days thereafter, shall submit a written report detailing the Bank's compliance with this ORDER to the Board, for review and consideration during its regularly scheduled meeting. The compliance report and any discussion related to the report or ORDER shall be incorporated into the minutes of the meeting of the Board. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER. For the purposes of this ORDER, an "independent director" shall be an individual who:

(i) is not employed in any capacity by the Bank,

any of its subsidiaries, or affiliated organizations, other than as a director;

(ii) does not own or control more than ten percent (10%) of the outstanding shares of the Bank;

(iii) is not related by blood or marriage to an officer or director of the Bank or its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Bank, and who does not otherwise share a common financial interest with such officer, director or shareholder;

(iv) is not indebted, directly or indirectly, to the Bank or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding two percent (2%) of the Bank's total Tier 1 capital and Allowance; and

(v) is a resident of, or engaged in business in, the Bank's trade area; or is otherwise deemed to be an independent director for purposes of this ORDER by the Area Director and the Commissioner.

(c) Within thirty (30) days of the end of the first quarter following the effective date of this ORDER, and within thirty (30) days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Area Director and the Commissioner detailing the form, manner, and results of any

actions taken to secure compliance with this ORDER. In addition, the Bank shall furnish such other reports as requested by the Area Director or the Commissioner. All progress reports and other written responses to this ORDER shall be reviewed by the Board of the Bank and made a part of the minutes of the Board meeting.

(d) As long as this Order remains in effect, within ninety (90) days of receipt of any future Report of Examination of the Bank from the FDIC and/or the Commissioner, the Bank shall initiate or accomplish corrective action in response to recommendations made in said Report.

This ORDER shall become effective ten (10) days from the date of its issuance and shall be binding upon the Bank and its institution-affiliated parties. The provisions of this ORDER

shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the Commissioner.

Dated at Braintree, Massachusetts, this 27th day of October, 2008.

Gregory P. Bottone
Acting Area Director

Honorable Steven L. Antonakes
Commissioner of Banks