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[¶10,271**] In the Matter of Rockland Trust Company, Rockland, Massachusetts, Docket No. FDIC-91-175b (7-5-91).**

Bank to cease and desist from such unsafe or unsound practices as operating with excessive volumes of adversely classified assets; engaging in deficient lending and collection practices; operating with inadequate capital; operating in violation of applicable laws or regulations; engaging in management policies and practices which are detrimental to the Bank; operating with inadequate loan documentation; engaging in practices which produce inadequate operating income; failing to provide adequate supervision over the Bank's affairs; and failing to submit Reports of Condition and Income in accordance with instructions. *(This order was terminated by order of the FDIC dated 11-29-93; see ¶ 15,756.)*

[.1] Management—Qualifications—Review
[.2] Management—Management Plan—Minimum Requirements
[.3] Board of Directors—Election—Outside Directors Added
[.4] Board of Directors—Meetings—Frequency
[.5] Allowance for Loan and Lease Losses—Establish/Maintain
[.6] Assets—Adversely Classified—Eliminate/Reduce
[.7] Capital—Tier 1 Capital—Increase/Maintain—Methods
[.8] Loans—Risk Position—Reduction Required
[.9] Loans—Extensions of Credit—Existing Borrowers—Curtail
[.10] Loan Policy—Written Revision—Minimum Requirements
[.11] Profit Plan—Minimum Requirements
[.12] Dividends—Restricted
[.13] Shareholders—Disclosure—Cease and Desist Order
[.14] Loans—Concentrations of Credit—Reduction Plan
[.15] Violations of Law—Eliminate/Correct
[.16] Compliance Reports—Frequency
[.17] Liquidity—Written Policy—Minimum Requirements

In the Matter of

ROCKLAND TRUST COMPANY
ROCKLAND, MASSACHUSETTS
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST

Rockland Trust Company, Rockland, Massachusetts ("Bank"), 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 and/or regulations 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 Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), 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"), dated June 20, 1991, whereby solely for the purpose of this proceeding, and without admitting or denying any allegation or implication of fact or the existence of any unsafe or unsound banking practices or violations of law and/or regulations or any other ground for issuance of an ORDER under section 8(b) of the Act, the Bank consented to the issuance of this ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws and/or regulations. The FDIC, 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, as that term is defined in section 3(u) of the Act, 12 U.S.C. section 1813(u), to the extent such parties are subject to this ORDER pursuant to the Act), cease and desist from the following unsafe or unsound banking practices and violations of law and/or regulations:

(a) operating with an excessive volume of adversely classified assets;

(b) engaging in deficient lending and collection practices, resulting in an excessive volume of adversely classified loans;

(c) operating with inadequate capital for the kind and quality of assets held;

(d) engaging in violations of applicable laws and regulations, specifically 12 C.F.R. § 325.2(a) and Massachusetts General Laws, Chapter 167E, §§ 6(5B) and (2);

(e) engaging in management policies and practices, in the lending function, which are detrimental to the Bank;

(f) operating with deficient or inadequate loan documentation, including but not limited to current financial statements, and cash flow and/or operating information;

(g) engaging in practices which have resulted in inadequate operating income and excessive loan losses;

(h) failing to provide adequate supervision and direction over the affairs of the Bank, primarily in the lending function, to prevent unsafe or unsound practices and violations of law and/or regulations specified in subparagraph (d) above; and,

(i) failing to submit Reports of Condition and Income in accordance with prevailing instructions.

IT IS FURTHER ORDERED that the Bank (and its institution-affiliated parties, to the extent such parties are subject to this ORDER pursuant to the Act), take affirmative action (to the extent such actions have not already been completed by the Bank prior to the issuance of this ORDER) as set forth below. However, for purposes of enforcement of this ORDER by the FDIC pursuant to section 8(i) of the Act, 12 U.S.C. section 1818(i), the Bank (and to the extent institution-affiliated parties are subject to this ORDER pursuant to the Act, its institution-affiliated parties) will not be deemed to have engaged in any unsafe or unsound banking practice or violation of law and/or regulation described in any of the above provisions, except to the extent the Bank is not in compliance with the following provisions:

[.1**]** 1. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall have and retain qualified management. Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management shall be assessed on its ability to:

(i) comply with the requirement of this ORDER,

(ii) operate the Bank in a safe and sound manner,

(iii) comply with applicable laws and regulations, and

(iv) restore or maintain all aspects of the Bank to or in a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness and liquidity.

During the life of this ORDER, the Bank shall notify the Regional Director of the FDIC's Boston Regional Office ("Regional Director") and the Commissioner of Banks, Commonwealth of Massachusetts ("Commissioner") in writing of any changes in management at the level of Vice President and above. The notification must include the names and background of any replacement personnel, Vice President and above, and must be provided prior to the individual's assuming the new position.

[.2**]** (b) In order to have acceptable management, within ninety (90) days from the effective date of this ORDER, the Board of Directors shall cause to be developed, under its supervision, a written analysis and assessment of the Bank's management needs ("management plan"), which shall include, at a minimum:

(i) identification of both the type and number of executive officer (as that term is defined in Federal Reserve Regulation O, 12 C.F.R. § 215.1 *et seq.*) positions needed to manage and supervise properly the affairs of the Bank;

(ii) identification and establishment of such Bank committees as are needed to provide guidance and oversight to executive officers;

(iii) evaluation of each Bank executive officer to determine whether these individuals possess the ability, experi- {{9-30-91 p.C-1151}}ence and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and maintenance of the Bank in a safe and sound condition; and (iv) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications, which the Board of Directors determines are necessary to fill Bank executive officer or staff member positions consistent with the Board's analysis, evaluation and assessment as provided in paragraphs 1(b)(i) and 1(b)(iii) of this ORDER.

(c) The written management plan shall be submitted to the Regional Director and the Commissioner for review and comment. No sooner than thirty (30) days, but under no circumstances more than sixty (60) days after such submission, the Board of Directors shall approve the written management plan, taking into consideration any comments received from the Regional Director or the Commissioner within such thirty (30) day period, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent modifications to the written management plan may be made only after giving the Regional Director and the Commissioner written notice of the proposed modification, and after consideration of any responsive comments submitted by the Regional Director and/or the Commissioner within thirty (30) days from their receipt of the notice of proposed modification. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Bank, its directors, officers and employees shall implement and follow the written management plan and/ or any subsequent modification thereto.

(d) (i) The written management plan shall also include the requirement that the Board of Directors of the Bank, or a committee of Directors thereof consisting of not less than a majority of members who are independent with respect to the Bank, provide supervisions over lending, investment and operating policies of the Bank to cause the Bank to comply with the provisions of this ORDER.

[.3**]** (ii) At the next meeting of the shareholders of the Bank, and at each succeeding meeting of the shareholders at which Bank directors are to be elected, the members of the Board of Directors who are also shareholders shall nominate and support the election of candidates to the Board of Directors who are independent with respect to the Bank, in such number as is necessary to cause a majority of the Board of Directors to be and to remain independent with respect to the Bank.

(iii) For purposes of this ORDER, an individual who is "independent with respect to the Bank" shall be any individual (1) who is not an officer of the Bank or any of its affiliated organizations and who does not own more than five (5.0) percent of the outstanding shares of the Bank, (2) who is not related by blood, marriage or common financial interest to an officer of the Bank or to any stockholder owning more than five (5.0) percent of the Bank's outstanding shares, and (3) who is not indebted to the Bank, directly or indirectly (including the indebtedness of any entity in which the individual has a substantial financial interest), in an amount exceeding $2,800,000 or five (5.0) percent of the Bank's total equity capital and allowance for loan and lease losses, whichever is greater, and whose loans with the Bank are not classified or otherwise nonperforming. This item (iii) shall not be applicable to any current director of the Bank whose borrowings exceed such levels as of the effective date of this ORDER, unless such director increases his borrowings with the Bank after such effective date or unless such borrowings are adversely classified by the Bank, the FDIC, or the Office of the Commissioner.

[.4**]** (e) The Bank's Board of Directors shall meet at least monthly. The Board shall cause to be prepared in advance and shall follow a detailed written agenda at each meeting, which shall include consideration of actions of any committees. A chronological file of all written agendas shall be maintained. Notwithstanding the foregoing, the Board shall not be pre- {{9-30-91 p.C-1152}}cluded from considering matters other than those contained in the agenda. Detailed written minutes of all Board meetings shall be maintained and recorded on a timely basis.

[.5**]** 2. (a) Within ten (10) days from the effective date of this ORDER, the Bank shall increase its allowance for loan and lease losses ("Reserve") existing as of July 31, 1990 by $26,700,000 at a minimum.

[.6**]** (b) Immediately after complying with paragraph 2(a), the Bank: (1) shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the August 20, 1990 joint Commonwealth of Massachusetts and FDIC's Report of Examination ("Examination"); and (2) shall either (A) eliminate from its books by charge-off or collection, or (B) if the asset is an extension of credit or lease, increase its Reserve by an amount equal to fifty (50.0) percent of those assets or portions of assets classified "Doubtful" in the Examinations, which have not been previously collected or charged off. Reduction of these assets through use of proceeds of loans made by the Bank, other than to qualified third party borrowers, does not constitute "collection" or "elimination" for the purpose of this paragraph.

(c) The Bank shall maintain its Reserve in accordance with the prevailing requirements of the Instructions for the Reports of Condition and Income ("Instructions"). Toward this end, within ninety (90) days from the effective date of this ORDER, the Bank's Board of Directors shall review the Bank's policy for determining the adequacy of the Bank's Reserve and make any appropriate changes to such policy necessary to result in an adequate and comprehensive policy. The policy shall provide for a review of the

Reserve at least once each calendar quarter. The review should focus on the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure on significant credits, concentrations of credit, and present and prospective economic conditions. Review of other real estate and exposure therein shall be undertaken along the same lines as the aforementioned loan portfolio review. The adequacy of the Reserve in relation to the loss potential in the loan portfolio will be reviewed by the Board of Directors and adjustments to the Reserve will be made accordingly. Details of these reviews will be incorporated into the minutes of the Board of Directors, including the methodology used to determine the adjustments made.

(d) Reports of Condition and Income required to be submitted by the Bank as of each Report date, as that term is used in the Instructions, between and including December 31, 1989 and the effective date of this ORDER, shall, at a minimum, reflect a Reserve maintained in accordance with the Instructions. If necessary to comply with this paragraph 2(d), the Bank shall file any amended Reports of Condition and Income within ten (10) days from the effective date of this ORDER.

(e) Prior to the submission of any Report of Condition or Report of Income required to be filed by the Bank after the effective date of this ORDER, the Board of Directors of the Bank shall: (1) review the adequacy of the Bank's Reserve, (2) cause the Bank to provide for an adequate Reserve, and (3) cause the Bank to accurately report the Reserve in any such Report of Condition and Income. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review, including any increases in the Reserve, and the basis for determining the amount of allowance provided.

[.7**]** 3. (a) (i) Within twelve (12) months from the effective date of this ORDER, the Bank shall have Tier 1 capital at or in excess of five (5.0) percent of the Bank's total assets ("Tier 1 leverage capital ratio") and shall thereafter continue to maintain its Tier 1 leverage capital ratio at or above such level until twenty-four (24) months from the effective date of this ORDER. Within twenty-four (24) months from the effective date of this ORDER, the Bank shall have a Tier 1 leverage capital ratio of at least five and one-half (5.5) percent and shall thereafter continue to maintain its Tier 1 leverage capital ratio at or above such level until thirty (30) months from the effective date of this ORDER. Within thirty (30) months from the effective date of this ORDER, the Bank shall have a Tier 1 leverage capital of at least six (6.0) percent and {{9-30-91 p.C-1153}}shall thereafter continue to maintain its Tier 1 leverage capital ratio at or above the level while this ORDER is in effect. Toward this end, the Bank shall develop a Capital Plan which will be submitted to the Regional Director and the Commissioner for approval within ninety (90) days from the effective date of this ORDER. The Capital Plan should address both internal and external sources of capital augmentation, including capital infusions, retention of earnings, restrictions of asset growth and asset sales.

(ii) For purpose of this ORDER, the terms "Tier 1 capital" and "total assets" shall have the meanings ascribed to them in the revised Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, which became effective April 10, 1991.

(b) In calculating the Bank's Tier 1 leverage capital ratio under paragraph 3(a) initially, the Bank shall first comply fully with paragraphs 2(a) and (b) of this ORDER. Thereafter, such ratio and its component parts shall be determined only after the Bank has made such additions to its Reserve so as to bring the Reserve into compliance with the prevailing requirements of the Instructions and charged off any losses identified subsequent to the Examination.

(c) Any increase in the Tier 1 leverage capital ratio made by the Bank in order to meet the requirements of paragraph 3(a) of this ORDER may be accomplished by:

(i) the retention of earnings;

(ii) the sale of new offerings of common stock or perpetual preferred stock;

(iii) the sale or transfer of existing shares of the Bank's shareholder(s) to an acquirer or acquirers who or which will contribute the required increase in capital to the Bank, or a portion thereof;

(iv) the collection of all or part of assets classified: (A) "Loss" in the Examination, without loss or liability to the Bank, or (B) "Doubtful" in the Examination, without further or additional loss or liability to the Bank, provided that any collection on such assets shall first be applied to that portion of the asset which was not charged off pursuant to paragraph 2(b) of this ORDER. Reductions to loans and leases classified "Loss" and "Doubtful" in the Examination shall first be credited to the remaining balance outstanding with regard to such loans and leases and the remainder, if any, then to the Reserve and, if the Board of Directors' review of the adequacy of the Reserve required by paragraph 2 of this ORDER indicates that the Reserve has a balance in excess of that required for adequacy, any such excess may be transferred to equity capital through a negative provision to the Reserve;

(v) the collection in cash of assets previously charged off;

(vi) the reduction of the overall size of the Bank through the sale of assets or other means;

(vii) any combination of the above means; or,

(viii) any other acceptable to the Regional Director and the Commissioner.

(d) If, after having achieved the six (6.0) percent Tier 1 leverage capital ratio specified in paragraph 3(a)(i), such ration declines below six (6.0) percent at month end, the Bank, within sixty (60) days after the month end during which said ratio so declined, shall submit a written plan to the Regional Director and the Commissioner for increasing such ratio up to or in excess of six (6.0) percent within a period of time to be determined by the Regional Director and the Commissioner. Thereafter, the Bank shall continue to maintain its Tier 1 leverage capital ratio at or in excess of such level as calculated herein while this ORDER is in effect. Upon approval by the Regional Director and the Commissioner, the Bank shall immediately implement the written plan.

(e) In addition to the requirements of paragraph 3(a)-(d), the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(f) If all or part of any increase in capital made by the Bank in order to meet the requirements of this paragraph 3 involves an offering, other than an offering deemed not to be a public securities offering pursuant to 17 C.F.R. section 230.506 or as hereafter amended, of the Bank's securi- {{9-30-91 p.C-1154}}ties (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and of this ORDER as well as the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the sale of the securities, and, in any event not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC. Registration and Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the materials by the FDIC and communicated to the Bank shall be made prior to their dissemination.

(g) In complying with the provisions of paragraph 3(f) of this ORDER, the Bank shall provide to any subscriber and/or prospective purchaser of Bank securities, prior to the sale of such securities, written notice of any planned or existing development or other change which is 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 3(g) shall be furnished within ten (10) business days from the date such material development or change was planned or occurred, whichever is earlier, to every prospective purchaser and/or subscriber of Bank stock who received or was tendered the information contained in the Bank's original offering materials.

(h) The Bank's Board of Directors shall maintain in its minutes a written record of all actions taken by the Board, and cause to be maintained, a written record of all actions taken by the Bank, to comply with the capital requirements of paragraphs 3(a) through 3(g) of this ORDER, including, at a minimum, any action to increase its Tier 1 capital by each of the methods specified in paragraphs 3(c)(i) through 3(c)(viii) of this ORDER.

[.8**]** 4. (a) Within ninety (90) days from the effective date of this ORDER, the Board of Directors shall cause to be developed under its supervision a written plan of action to lessen the Bank's risk position with respect to each borrower who or which had outstanding principal debt owing to the Bank in excess of $100,000 which was classified "Substandard" or "Doubtful," in whole or in part, in the Examination as of August 20, 1990. In developing such plan, the Bank shall, at a minimum:

(i) review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

(ii) evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

Based upon such review and evaluation, the written plan of action shall: (A) establish target dollar levels to which the Bank shall reduce the aggregate dollar volume of "Substandard" or "Doubtful" classifications in the Examination within six (6) and twelve (12) months from the effective date of this ORDER; and (B) provide for the submission of written monthly progress reports to the Bank's Board of Directors or Committee thereof, for review and notation in the Board or Committee minutes. The Committee's actions will be reviewed and ratified by the full Board. [Exhibit A provides the form for the progress report.] As used in this paragraph 4, "reduce" means to (1) collect, (2) charge off or create a specific reserve against, or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the Massachusetts State Banking Department, or in the case of assets classified "Doubtful" at least to improve the quality sufficiently to warrant upgrading to the

"Substandard" classification. Payment of loans with the proceeds of other loans made by the Bank, other than loans to qualified third party borrowers, will not constitute "reduction" or "collection" for purposes of this ORDER.

(b) The written plan of action described by paragraph 4(a) shall be submitted to the Regional Director and the Commissioner for review and comment. No sooner than thirty (30) days, but under no circumstances more than sixty (60) days after such submission, the Board of Directors or a Committee thereof, subject to ratification by the full Board, shall approve the written plan of action, taking into consideration any comments on such {{9-30-91 p.C-1155}}plan received from the Regional Director or Commissioner within such thirty (30) day period, and such approval shall be recorded in the minutes of the Board of Directors or Committee as provided. Subsequent modifications to the written plan may be made only after giving the Regional Director and the Commissioner written notice of the proposed modification, and after consideration of any responsive comments submitted by the Regional Director or the Commissioner within thirty (30) days from their receipt of the notice of proposed modification. No such modification shall become effective until approved by the Board of Directors or such Committee, and such approval shall be recorded in the minutes of the Board of Directors or such Committee. The Bank, its directors, officers and employees shall follow the written plan of action and/or any subsequent modification thereto.

[.9**]** 5. The Bank shall not extend additional credit or renew, directly or indirectly, existing credit, in either case in an amount in excess of $15,000 to, or knowingly for the benefit of, any borrower who has a loan or other extension of credit with the Bank that has been charged off or classified, in whole or in part. "Loss," "Doubtful," or "Substandard," in the Examination and is uncollected, unless a majority of the Bank's Board of Directors or a Committee thereof first (1) determines that such advance is in the best interest of the Bank, (2) determines that the Bank has satisfied the requirements set out in paragraph 4(a) of this ORDER as to such borrower, and (3) approves such advance, either individually or as part of the Bank's workout plan for the borrower. A written record of the Board of Directors' or such Committee's determination and approval of any advance under the terms of this paragraph 5 shall be maintained in the credit file of the affected borrower(s) as well as the minutes of the Board of Directors or such Committee. Notwithstanding the foregoing provisions, this ORDER shall not require such approvals by the Board of Directors or Committee thereof for extensions of credit made pursuant to legally binding contractual commitments entered into by the Bank prior to the effective date of this ORDER.

[.10**]** 6. Within sixty (60) days from the effective date of this ORDER, the Bank shall revise its written loan policy. At a minimum the revised written loan policy should include the following provisions:

(i) implementation of a standard written credit analysis including at a minimum: financial statement spread, analysis of the collateral position, and a historical summary of the borrower's relationship;

(ii) procedures to implement a formal and independent internal loan review and grading system;

(iii) compilation of a watchlist from credits identified in the loan review and grading process which possess more than the normal amount of risk;

(iv) procedures that require a regular Board review of the watchlist;

(v) limitations on loans to one borrower.

The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review and comment. No sooner than thirty (30) days, but under no circumstances more than sixty (60) days after such submission, the Board of Directors shall approve the revised written loan policy, taking into consideration any responsive comments received from the Regional Director or the Commissioner, within such thirty (30) day period, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent modifications to the revised written loan policy may be made only after giving the Regional Director and the Commissioner written notice of the proposed modification, and after consideration of any responsive comments submitted by the Regional Director and/or the Commissioner within thirty (30) days from their receipt of the notice of proposed modification. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Bank, its directors, officers, and employees shall follow the revised written loan policies and/or any subsequent modification thereto.

[.11**]** 7. (a) Within ninety (90) days from the effective date of this ORDER, the Board shall cause to be developed under its supervision a written profit plan con- {{9-30-91 p.C-1156}}sisting of goals and the Commissioner within thirty (30) days from their receipt of the notice of proposed modification. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification thereto.

[.12**]** 8. The Bank shall not declare or pay any dividends unless:

(a) such declarations and payments are made in accordance with applicable State and Federal laws and regulations;

(b) after payment of such dividends, the Tier 1 leverage capital ratios specified in paragraph 3(a)(i) shall not be less than the stated percentages at the applicable time frames and the Bank's allowance for loan and lease losses shall be adequate as described in paragraph 2 of this ORDER;

(c) such declaration and payment of dividends shall be approved in advance by the Board of Directors of the Bank; and

(d) such declaration and payment of dividends shall be approved in advance, in writing, by the Regional Director and the Commissioner.

[.13**]** 9. Following the effective date of this ORDER, the Bank shall send to its shareholders a description of this ORDER, (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be send to the FDIC, Registration and Disclosure Section, Washington, D.C. 20429, for review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and communicated to the Bank shall be made prior to dissemination of the description, communication, notice, or statement.

[.14**]** 10. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate and implement a plan to reduce all loan concentrations as noted on pages 2-b and 2-b-1 of the Examination of the Bank as of August 20, 1990 to less than twenty-five (25.0) percent of total primary capital and allowance for loan and lease losses.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall correct the remediable cited deficiencies in the loans listed for "Special Mention" on pages 2-c through 2-c-6 of the Examination of the Bank as of August 20, 1990.

[.15**]** 11. Within ninety (90) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all remediable apparent violations of law and/or regulations as described on pages 6-a and 6-a-1 of the Examination of the Bank as of August 20, 1990.

[.16**]** 12. Within thirty (30) days of the end of the first calendar quarter following the effective date of this ORDER, and, thereafter, within thirty (30) days from the end of each calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any action taken to achieve and/or maintain compliance with this ORDER and the results thereof. In addition, the Bank shall furnish such reports on request of either the Regional Director or the Commissioner. All progress reports and other written responses to this ORDER shall be reviewed by the Board of Directors of the Bank and made a part of the minutes of the Board meeting.

[.17**]** 13. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall reduce the liquidity policy to a formal written policy. At a minimum the written liquidity policy should include the following provisions:

> (i) implementation of a formalized liquidity policy;
>
> (ii) specific operating ranges within which the liquidity position would be managed;
>
> (iii) procedures that institute an information system which will allow management and the Board to monitor the Bank's liquidity position;
>
> (iv) procedures which will allow the liquidity policy to work with the loan, funds management, and investment policies.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate a written strategic plan.

{{4-30-93 p.C-1157}}

At a minimum the strategic plan should include the following issues:

> (i) future goals and objectives which consider the Bank's strengths, weaknesses, areas requiring immediate attention, present financial condition, and an analysis of the social and economic environment in which the Bank operates;

(ii) capital and reserve levels, growth, asset deployment, funding needs, and personnel requirements;

(iii) provisions to allow a regular review of the targets and goals against the actual performance.

(c) The written liquidity policy and strategic plan shall be submitted to the Regional Director and the Commissioner for review and comment. No sooner than thirty (30) days, but under no circumstances more than sixty (60) days after such submission, the Board of Directors shall approve the liquidity policy and strategic plan, taking into consideration any responsive comments received from the Regional Director or the Commissioner within such thirty (30) day period, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent modifications to the liquidity policy and strategic plan may be made only after giving the Regional Director and the Commissioner written notice of the proposed modification, and after consideration of any responsive comments submitted by the Regional Director and/or the Commissioner within thirty (30) days from their receipt of the notice of proposed modification. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Bank, its directors, officers, and employees shall follow the liquidity policy and strategic plan and/or any subsequent modification thereto.

This ORDER shall become effective ten (10) days from the date of its issuance.

The provisions of this ORDER shall be binding upon the Bank (and its institution-affiliated parties, to the extent such parties are subject to this ORDER pursuant to the Act).

The ORDER has been reviewed and concurred in by the Commissioner.

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.

Pursuant to delegated authority.

Dated at Needham, Massachusetts this 5th day of July, 1991.