

{{4-30-93 p.C-571}}

¶10,121] In the Matter of Norwood Co-operative Bank, Norwood, Massachusetts, Docket No. FDIC-90-208b (10-12-90).

Bank ordered to cease and desist from such unsafe and unsound banking practices as operating with an excessive volume of adversely classified assets; engaging in hazardous lending and lax collection practices; operating with inadequate equity capital; operating with inadequate loan and lease loss allowances, engaging in management policies and practices detrimental to the Bank; operating with deficient loan documentation; engaging in practices which produce inadequate operating income and excessive loan losses; failing to provide adequate supervision over the affairs of the Bank; paying excessive cash bonuses and inadequately controlling expenses; and failing to submit required reports. (This order was terminated by order of the FDIC dated 2-19-93; see ¶ 15,609.)

- [1] Management—Qualifications—Compliance
- [2] Management—Management Plan—Minimum Requirement—Review
- [3] Board of Directors—Compliance Committee
- [4] Definition—"Independent with Respect to the Bank"
- [5] Board of Directors—Frequency of Meetings—Minutes
- [6] Assets—Adversely Classified—Reduce
- [7] Capital—Capital Structure—Written Plan
- [8] Primary Capital—Increase—Methods
- [9] Capital Ratio—Maintain
- [10] Loan Valuation Reserve—Increase—Report
- [11] Assets—Adversely Classified—Reduce—Written Plan
- [12] Loans—Extensions of Credit—Existing Borrowers—Restrictions
- [13] Loan Policy—Minimum Requirements—Review
- [14] Profit Plan—Minimum Requirements—Review
- [15] Funds Management and Liquidity—Policy—Minimum Requirements—Review

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- [16] Investments and Investment Policy—Minimum Requirements— Review
- [17] Reports of Condition and Income—Corrections
- [18] Loans—Concentration of Credit—Reduce
- [19] Management—Employees—Compensation—Curtail
- [20] Compliance—Progress Reports—Frequency

In the Matter of

**NORWOOD CO-OPERATIVE BANK
NORWOOD, MASSACHUSETTS
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST
FDIC-90-208b**

Norwood Co-operative Bank, Norwood, Massachusetts, ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices 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, 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 October 11, 1990, whereby solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices, the Bank consented to the issuance of an 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. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its directors, officers, employees, agents, successors,

assigns, and other persons participating in the conduct of the affairs of the Bank, cease and desist from the following unsafe and unsound banking practices:

- A. operating with an excessive volume of adversely classified assets;
- B. engaging in hazardous lending and lax collection practices, including maintaining an excessive volume of adversely classified loans;
- C. operating with inadequate equity capital for the kind and quality of assets held;
- D. operating with an inadequate allowance for loan and lease losses for the volume, kind, and quality of loans held;
- E. engaging in management policies and practices which are detrimental to the Bank;
- F. operating with deficient or inadequate loan documentation, including but not limited to current financial statements, cash flow and/or operating information;
- G. engaging in practices which produce inadequate operating income;
- H. engaging in practices which produce excessive loan losses;
- I. failing to provide adequate supervision and direction over the affairs of the Bank to prevent unsafe or unsound practices;
- J. paying excessive cash bonuses and otherwise inadequately controlling discretionary overhead expenses in relation to the Bank's net income and/or capital position;
- K. failing to submit Reports of Condition and Income in accordance with prevailing instructions.

IT IS FURTHER ORDERED, that the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of the affairs of the Bank, take affirmative action as follows:

[.1] 1. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall have, and thereafter continue to retain, management acceptable to the Regional Director of the FDIC's Boston Regional Office ("Regional Director") and the Commissioner of Banks of the Commonwealth of Massachusetts ("Commissioner"). Such management shall include the retention of a qualified individual to perform the duties of Chief Executive Officer (CEO). The CEO shall be given stated written authority by the Bank's Board of Directors including responsibility for implementing and maintaining lending, investment and operating policies in accordance with sound banking practices. The acceptability of management [{{12-31-90 p.C-573}}](#) shall be assessed on its conduct with respect to:

- (i) compliance with the requirements of this ORDER,
- (ii) operation of the Bank in a safe and sound manner,
- (iii) compliance with applicable laws and regulations, and
- (iv) maintenance of all aspects of the Bank in a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness and liquidity. As used in this paragraph, "maintenance" includes improvement in quality if necessary to comply with this requirement.

[.2] (b) Toward this end, within ninety (90) days from the effective date of this ORDER, the Board of Directors shall develop a written analysis and assessment of the Bank's management and staffing needs ("management plan"), which shall include, at a minimum:

- (i) identification of both the type and number of officer 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 active management;
- (iii) evaluation of each Bank officer and staff member to determine whether these individuals possess the ability, experience 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 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. Within thirty (30) days after such submission, the Board of Directors shall approve the written management plan, taking into consideration any regulatory comments, 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 follow the written management plan and/or any subsequent modification thereto.

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

(ii) At the next meeting of the nominating committee of the Bank, and at each succeeding meeting of that committee at which individuals are nominated for the office of director, the committee shall nominate individuals 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.

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[.4] (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, (2) who is not related by blood, marriage or common financial interest to an officer of the Bank, 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 five (5) percent of the Bank's primary capital.

[.5] (e) The Bank's Board of Directors shall meet at least monthly. The Board shall prepare in advance and shall follow a detailed written agenda at each meeting, which shall include consideration of actions of any committees. Nothing in the foregoing sentence shall preclude the Board 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.

[.6] 2. Within ten (10) days from the effective date of this ORDER, the Bank: (1) shall eliminate from its books, by charge-off, collection, or other proper entries, all assets or portions of assets classified "Loss" as of January 19, 1990; and (2) shall either (A) eliminate from its books by charge-off, collection, or other proper entries, or (B) if the asset is an extension of credit or lease, increase its allowance for loan and lease losses by an amount equal to, 50 percent of those assets or portions of assets classified "Doubtful" as of January 19, 1990, which have not been previously collected, charged off, or otherwise eliminated by other proper entries. Reduction of these assets through use of proceeds of loans made by the Bank does not constitute "collection" or "elimination" for the purpose of this paragraph.

[.7.8] 3. (a) The bank shall operate with a capital structure sufficient in relation to the composition and quality of its assets and funding liabilities, and in accordance with Part 325 of the FDIC Rules and Regulations. Toward this end, the bank will develop a Capital Plan which will be submitted to the Regional Director and Commissioner for approval within ninety (90) days of 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 to produce a ratio of primary capital to total assets of at least eight (8.0) percent, with stated timetables in which to attain this goal. For purposes of this ORDER, the terms "primary capital" and "total assets" are as defined in Part 325 of the FDIC Rules and Regulations. Such increase in primary capital may be accomplished by:

- (i) the sale of common stock or perpetual preferred stock;
- (ii) the direct contribution of cash by the directors of the Bank;
- (iii) the collection of all or part of assets classified: (A) "Loss" as of January 19, 1990, without loss or liability to the Bank, or (B) "Doubtful" as of January 19, 1990, without loss or liability to the Bank, provided any collection on such assets shall first be applied to that portion of the asset which was not charged off pursuant to paragraph 2 of this ORDER. Reductions to loans and leases classified "Loss" and "Doubtful" shall first be credited to the Bank's allowance for loan and lease losses ("allowance") and, if the board of directors' review of the adequacy of the allowance required by paragraph 4 of this ORDER indicates that such allowance has a balance in excess of that required for adequacy, any such excess may be transferred to capital through a negative provision for loan and lease losses;

- (iv) the collection in cash of assets previously charged off;
- (v) any combination of the above means; or
- (vi) any other means acceptable to the Regional Director and the Commissioner.

(b) If all or part of the increase in primary capital required by the Bank under paragraph 3(a) of this ORDER involves an offering, other than an offering deemed not to be a public securities offering pursuant to 17 C.F.R. § 230.506 as

[{{12-31-90 p.C-575}}](#) now in effect or as hereafter amended, of the Bank's securities, 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 Unit, Washington, D. C. 20429, for review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(c) In complying with the provisions of paragraph 3(b) of this ORDER, the Bank shall provide to any subscriber and/or purchaser of Bank stock, 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(c) shall be furnished within ten (10) calendar days from the date such material development or change was planned or occurred, whichever is earlier, to every purchaser and/or subscriber of Bank stock who received or was tendered the information contained in the Bank's original offering materials.

[.9] (d) If, during the period this ORDER is in effect, the primary capital ratio declines below eight (8.0) percent, the Bank, within sixty (60) days after the date on which this ratio so declined, shall develop a written plan to increase such ratio up to or in excess of eight (8.0) percent. The written plan shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the written plan, taking into consideration any regulatory comments, and such approval shall be recorded in the minutes of the Board. 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 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 written plan and/or any subsequent modification thereto.

(e) The Bank's Board of Directors shall maintain in its minutes a written record of all actions taken by the Bank to comply with the capital requirements of paragraphs 3(a) through 3(d) of this ORDER, including, at a minimum, any action to increase its primary capital by each of the methods specified in paragraphs 3(a)(i) through 3(a)(vi) of this ORDER.

[.10] 4. (a) Within thirty (30) days from the effective date of this ORDER and after complying with Paragraph 2 of this ORDER, and if not previously provided, the Bank's Board of Directors shall increase the general valuation reserve for loans by a minimum of \$1,250,000 and thereafter require that the reserve be maintained at a level in accordance with the prevailing requirements of the Instructions for the Reports of Condition and Income by periodic charges to operating revenue. Within sixty (60) days from the effective date of this ORDER, the Bank's Board of Directors shall establish a comprehensive policy for determining the adequacy of the valuation 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 minutes of the Board of Directors' meetings at which such review is undertaken shall [{{12-31-90 p.C-576}}](#) indicate the result of the review and the methodology used to determine the adjustments made.

(b) 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 allowance for loan and lease losses, (2) provide for an adequate allowance, and (3) accurately report the allowance in any such Report.

[.11] 5. (a) Within sixty (60) days from the effective date of this ORDER, the Board of Directors shall insure that a written plan of action is developed to lessen the Bank's risk position in each line of credit

aggregating \$200,000 or more which was classified "Substandard" or "Doubtful" in whole or in part as of January 19, 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 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 for review and notation in the Board minutes and (C) provide for the submission of quarterly progress reports to the Corporation and Commissioner (Exhibit A to this ORDER provides the form for the quarterly progress reports). As used in this paragraph 5, "reduce" means to (1) collect, (2) charge off, or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC. Payment of loans with the proceeds from other loans made by the Bank will not constitute "reduction" or "collection" for purposes of this ORDER;

(b) The written plan of action described by paragraph 5(a) shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the written plan of action, taking into consideration any regulatory comments, and such approval shall be recorded in the minutes of the Board of Directors. 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 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 written plan of action and/or any subsequent modification.

(c) In addition to the written plan of action outlined in paragraph 5(a), within sixty (60) days from the effective date of this ORDER, the Bank's Board of Directors shall insure that a program to improve and strengthen collection efforts is established within the same time frame. The program shall include specific plans to (1) reduce delinquent loan volume to less than five (5.0) percent of gross outstanding loans; (2) improve recoveries of charged off assets; and (3) provide for the submission of written monthly progress reports to the Bank's Board of Directors for review and notation in the board minutes. For the purpose of this paragraph 5(c), a "delinquent loan" is any loan which is thirty (30) days past its maturity or for which either interest or principal is due and unpaid for a period of thirty (30) days or more.

[.12] 6. (a) The Bank shall not extend, directly or indirectly, or renew credit to, or 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", and is uncollected, unless a majority of the Bank's Board of Directors 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 5 of this ORDER as to such borrower, if applicable, and (3) approves such advance. A written record of the Board of Directors' determination and approval of any advance under the terms of this paragraph 6 shall be maintained in the credit file of the affected borrower(s) as well as the minutes of the Board of Directors.

(b) The Bank shall not invest, directly or indirectly, in any security of any issuer of subinvestment quality equity securities in which the Bank has invested, where any portion of such security has been charged off or classified, in whole or in part, "Loss," "Doubtful," or "Substandard," unless a majority of the Bank's Board of Directors first (1) determines that such an investment is in the best interest of the Bank, and (2) gives approval for such investment. A written record of the Board of Directors' determination and approval of any investment shall be maintained in the credit file of the affected issuer(s) as well as in the minutes of the Board of Directors.

[.13] 7. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise its written loan policy. The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the revised written loan policy, taking into consideration any regulatory comments, 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. This policy shall include specific guidelines for collection procedures, nonaccrual loans, concentrations of credit, condominium financing, construction lending, insider loans, appraisals, and supporting credit information, and address the loan underwriting and administrative weaknesses detailed in the January 19, 1990 Report of Examination.

(b) The initial revisions to the Bank's loan policy required by this paragraph shall, at a minimum, include the following:

- (i) the lending authority of each loan officer;
- (ii) the lending authority of a loan or executive committee, if any;
- (iii) the responsibility of the Board of Directors in reviewing, ratifying and approving loans;
- (iv) provisions which prohibit extensions of credit which would produce or increase concentrations of credit in excess of twenty-five (25.0) percent of the Bank's total capital and reserves to any borrower and that borrower's related interests;
- (v) provisions which require comprehensive construction loan underwriting and documentation standards and procedures. Such underwriting standards shall address the adequacy of loan structuring arrangements within the borrower's ability to perform and repay advances outstanding. Documentation requirements shall include provisions for obtaining and retaining certificates for work completed, paid invoices for materials purchased, and documentation supporting construction loan advances;
- (vi) provisions limiting the amount advanced for secured loans in relation to the value of the collateral, and requiring specific documentation by the Bank for each type of secured loan;
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- (vii) the maintenance and review of complete and current credit files on each borrower;
- (viii) provisions for collection policies and procedures, including, but not limited to, the actions to be taken against borrowers who fail to make timely payments; and assignment of responsibility for taking those actions to appropriate officers;
- (ix) guidelines establishing limitations on the maximum volume of loans in relation to total assets;
- (x) provisions which define credit criteria and limits on real estate construction and/or rehabilitation type financing and condominium loans, to include the requirement that such borrowers will be required to inject sufficient investment capital to bring the proposed loan to appraised value ratio and loan to purchase price ratio to 80% or less;
- (xi) the determination and documentation of sources and terms of loan repayment;
- (xii) adoption and utilization of appraisal practices consistent with regulatory interagency appraisal guidelines;
- (xiii) maintenance of written, individual loan file comments by officers;
- (xiv) requirements that each loan to a realty trust be supported by statements of beneficial interest and any other documentation necessary at the inception and over the life of the loan to accurately reflect all parties having such a beneficial interest in the borrowing entity;
- (xv) monthly review of the overdue, problem and/or adversely classified or special mention loans by the Board of Directors, so as to monitor management's administration of such distressed credits, and to provide guidance;
- (xvi) procedures for identifying, supervising, and collecting problem loans; and
- (xvii) provisions for monitoring and documenting exceptions to the loan policy.

[.14] 8. (a) Within one hundred and twenty (120) days from the effective date of this ORDER, the Bank shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank, which written profit plan shall include, at a minimum:

- (i) identification of the major areas in, and means by which the board of directors will seek to improve the Bank's operating performance;
- (ii) realistic and comprehensive budgets;
- (iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and,
- (iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) The written profit plan shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the written profit plan, taking into consideration any regulatory comments, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent modifications to the written profit 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 written profit plan and/or any subsequent modification thereto.

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[.15] 9. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop a written funds management policy which shall include, at a minimum:

- (i) the Bank's liquidity needs and plans for insuring that such needs are met on an ongoing basis;
- (ii) goals and strategies for managing and/or improving the Bank's interest rate risk exposure;
- (iii) monitoring of the interest rate sensitivity of present investments and deposits and projections of the types of investments and deposits to improve such liquidity position; and
- (iv) coordination of the Bank's loan, investment, operating, and budget and profit planning policies with the written funds management policy.

(b) The written funds management policy shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the written funds management policy, taking into consideration any regulatory comments, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent modifications to the written funds management 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 written funds management policy and/or any subsequent modification thereto.

[.16] 10. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall revise its written investment policy. These revisions shall consist of goals and strategies for improving the investments of the Bank and will include at a minimum:

- (i) a provision that all individuals empowered to execute security investment transactions for the Bank are covered by the Bank's blanket bond policy;
- (b) provisions that set quality standards for the investment portfolio which are based upon specified and recognized professional rating services;
- (c) provisions which define and limit the Bank's activities in the security options market including prohibitions to the purchase of stock investments for the sole and express purpose of selling related covered options;
- (d) provisions which limit securities held within the Bank's trading account to not more than twenty five (25.0) percent of total capital and reserves.

(b) The written investment policy shall be submitted to the Regional Director and the Commissioner for review and comment. Within thirty (30) days after such submission, the Board of Directors shall approve the written investment plan, taking into consideration any regulatory comments, and such approval shall be recorded in the minutes of the board. Subsequent modifications to the written investment 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 written investment plan and/or any subsequent modification thereto.

[.17] 11. Within ninety (90) days from the effective date of this ORDER, the Bank [{{3-31-90 p.C-580}}](#) will establish a system to ensure the accurate preparation of FDIC Reports of Condition and Income. This will include taking the necessary steps to correct inadequacies relative to Bank's accounting systems noted in the January 19, 1990 Report of Examination. In addition, within thirty (30) days from the effective

date of this ORDER, the Bank will correct and resubmit previous Reports of Condition and Income cited in the January 19, 1990 report of Examination as being in error, if said corrective action has not already been accomplished.

12. (a) Within sixty (60) days from the effective date of this ORDER, the bank shall correct the technical exceptions on loans noted on pages 2d of the FDIC's Report of Examination of the Bank as of January 19, 1990.

[.18] (b) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate and implement a plan to reduce all concentrations of credit as noted on page 2b of the FDIC's Report of Examination of the bank as of January 19, 1990 to less than 25 percent of total capital and allowance for loan and lease losses.

[.19] 13. The Bank shall not pay a bonus in addition to stipulated wages to or for the benefit of any officer, director, employee or related organization without providing thirty (30) days written notice of such proposed action to the Regional Director and the Commissioner. In addition, the Board shall undertake a review of current salary levels and other discretionary expenditures in order to determine their appropriateness in view of the Bank's current and projected level of earnings. The results of this review will be forwarded to the Regional Director and the Commissioner within ninety (90) days from the effective date of this ORDER.

[.20] 14. The Bank shall not increase the amount of borrowings above the amount on the effective date of this ORDER without notifying the Regional Director and the Commissioner. The notification should indicate the amount of borrowings to be acquired and how the borrowings are to be utilized, with specific references to credit quality of investments and loans and the effect on the Bank's funds position and asset/liability matching. The Regional Director and the Commissioner each retains the right to reject the Bank's plan for utilizing borrowings.

[.21] 15. The Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof every ninety (90) days, beginning ninety (90) days after the effective date of the ORDER. In addition, the Bank shall furnish such reports at any other time upon 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.

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, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of the affairs of the Bank.

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 12th day of October, 1990.