

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of: )	
_____ )	
DARIEN ROWAYTON BANK )	ORDER TO CEASE AND DESIST
DARIEN, CONNECTICUT )	
_____ )	FDIC-09-178b
(INSURED STATE NONMEMBER BANK) )	
_____ )	

Darien Rowayton Bank, Darien, Connecticut (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) of the Federal Deposit Insurance Act (Act), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (CONSENT AGREEMENT) with a representative of the Legal Division of the Federal Deposit Insurance Corporation (FDIC) dated May 7, 2009 whereby solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices or violations of law and/or regulations, 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 engaged in unsafe or unsound banking practices and violations of law 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, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law and/or regulations:

- a. Operating with an inadequate level of capital;
- b. Operating in contravention of its business plan;
- c. Operating with excessive asset growth without a corresponding increase in capital;
- d. Operating with deficient earnings;
- e. Operating with inadequate management supervision and Board oversight to prevent unsafe and unsound practices and violations of law;
- f. Operating with a deficient loan review program;
- g. Operating with a heightened interest rate risk exposure in relation to the Bank's capital position;
- h. Operating with excessive reliance on volatile deposits

in relation to the Bank's capital position;

i. Failing to properly account for loan charge-offs; and

j. Operating in violation of applicable Federal and State laws and regulations, and in violation of the FDIC Order of Continuing Conditions dated March 21, 2006.

IT IS FURTHER ORDERED that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

CAPITAL

1.(a) The Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC Rules and Regulations), after establishing an appropriate Allowance for Loan and Lease Losses (Allowance):

(i) Tier 1 capital of not less than eight percent (8.0%) of total assets;

(ii) Tier 1 risk-based capital of not less than eight percent (8.0%) of total risk-weighted assets; and

(iii) total risk-based capital of not less than ten percent (10%) of total risk-weighted assets.

(b) In addition, 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, Appendix A.

(c) In the event any of the foregoing ratios fall below the established minimum in this paragraph and Part 325 of the FDIC's Rules and Regulations, the Bank shall notify the Area Director of the Boston Area Office of the FDIC (Area Director) and the Banking Commissioner of the Connecticut Department of Banking (Commissioner) and shall increase capital in an amount sufficient to comply with this provision within thirty (30) days.

(d) The Bank shall not initiate a plan to increase total assets by more than two percent (2.0%) during any consecutive three-month period, or more than five percent (5.0%) during any twelve-month period without written plans being presented to the Area Director and Commissioner for prior approval.

#### CAPITAL PLAN

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 at minimum on a monthly basis. Copies of the reviews and updates shall be submitted to the Area Director and the Commissioner no later than ten (10) days after completion. 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 complies with paragraph 4 of this ORDER.

(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 the Capital Plan.

3.(a) Any increase in capital necessary to meet the requirements of this ORDER may be accomplished by the following:

(i) sale of new securities in the form of common stock, subject to the provisions of this paragraph;

(ii) sale of noncumulative perpetual preferred stock, subject to the provisions of this paragraph;

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

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

(b) 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 or other reserve accounts. Further, the Bank shall not lend any funds directly or indirectly, whether secured or unsecured, to any potential acquirer of the Bank, any affiliate, or any other investor for the purpose, or having the effect, of increasing the Bank's Tier 1 capital as required by this ORDER.

(c) If all or part of the increase in capital required by this ORDER is accomplished by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares owned or proxies owned 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 to be made in the plan or materials requested by the FDIC or the Commissioner shall be made prior to their dissemination. If the increase in 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 presented to the Area Director and the Commissioner for prior approval.

(d) In complying with the provisions of this ORDER, 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.

#### DIVIDENDS

4. The Bank shall not declare or pay any cash dividends without the prior written approval of the Area Director and Commissioner.

#### STRATEGIC PLAN

5.(a) Within sixty (60) days after the effective date of



this ORDER, the Bank shall formulate and adopt a comprehensive written strategic plan covering an operating period of at least three years (Strategic 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 Strategic 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 Strategic Plan. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) In addition, the Strategic Plan shall address short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; long-range goals and project plans; and, at a minimum:

(i) strategies for pricing policies and asset/liability management;

(ii) the anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a

percentage of total assets; and the ratio of net interest income to average earning assets;

(iii) the dollar volume of total loans, total investment securities, and total deposits;

(iv) plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(v) goals for reducing problem loans;

(vi) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(vii) formulation of a mission statement and the development of a strategy to carry out that mission.

(c) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's performance in relation to the Strategic Plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the meeting of the Board during which such evaluation is undertaken. In the event the Board determines that the Strategic Plan should be revised in any manner, the Strategic Plan shall be revised and submitted to the Area Director and the Commissioner for review and comment within thirty (30) days after such revisions have been approved by the Board. Upon

receipt of all such comments from the Area Director and the Commissioner, and after incorporation and adoption of any required changes, the Bank shall approve the revised Strategic 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 revised Strategic Plan.

VOLATILE LIABILITY REDUCTION PLAN

6.(a) Within ten (10) days of the effective date of this ORDER, the Bank shall develop and submit a written plan to the Area Director and Commissioner for eliminating the Bank's reliance on volatile liabilities (the Volatile Liability Reduction 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 Volatile Liability Reduction 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 Volatile Liability Reduction Plan. At a minimum, the Volatile Liability Reduction Plan shall include:

(i) a detailed description of the current composition of volatile liabilities by maturity;

(ii) timeframes for reductions of volatile liabilities to specific dollar amounts; and

(iii) specific action for achieving those targets.

(b) For purposes of this ORDER, volatile liabilities include deposit funds solicited via a third-party rate service of any kind; brokered deposits, as that term is defined by Section 337.6(a)(2) of the FDIC's Rules and Regulations; and borrowings.

(c) In addition, the Bank shall give written notice to the Area Director and the Commissioner at any time the Bank plans to make use, or increase its use, of volatile liabilities. The notification shall indicate how the funds are to be utilized, with specific reference to credit quality of investments/loans and the effect on the Bank's funds position and asset/liability matching. The Volatile Liability Plan shall be submitted to the Area Director and the Commissioner no less than forty-five (45) days prior to the anticipated date of implementation.

#### PROFIT PLAN

7. Within sixty (60) days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Board 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 Profit Plan and such approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the Profit Plan and any subsequently approved modification. The written Profit Plan shall include, at a minimum:

(a) identification of the major areas in and means by which the Board will seek to improve the Bank's 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 adequate 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 for loan and lease loss 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 monthly; recording the results of the evaluation and any actions taken by the Bank in the minutes of the meeting of the Board; and

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

#### BOARD AND MANAGEMENT

8. The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

- (a) comply with the requirements of the ORDER;
- (b) operate the Bank in a safe and sound manner;
- (c) comply with applicable laws and regulations; and

(d) restore all aspects of the Bank to a safe and sound condition, including improve the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and its sensitivity to market risk.

9. Within sixty (60) days from the effective date of this ORDER, the Board shall develop a written analysis and assessment of the Bank's management and staffing needs

("Management/Staffing Plan") which 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 Management/Staffing 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 Management/Staffing Plan. At a minimum, the Management/Staffing Plan shall include:

(a) identification of both the type and number of officer positions needed to manage and supervise properly the affairs of the Bank;

(b) identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(c) evaluation of each senior Bank officer (as defined

by the Board, subject to the concurrence of the Area Director and Commissioner) to determine whether each individual possesses 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

(d) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications, and whom the Board determines are necessary to fill Bank officer or staff member positions consistent with the Management/Staffing Plan.

10. The Bank shall notify the Area Director and the Commissioner in writing of any resignations and/or terminations of any members of its Board and/or any of its Executive Officer(s) (as defined in Regulation O, 12 C.F.R. Part 215) within fifteen (15) days of the event. The Bank shall also establish procedures to ensure compliance with Section 32 of the FDI Act, 12 U.S.C. § 1831i and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303. In addition, the Bank shall notify the Area Director and the Commissioner in writing of any proposed new Board member or Executive Officer at least thirty (30) days prior to the date such new Board member or Executive Officer is to begin service; such notification shall only be effective upon receipt of approval from the Area



Director and Commissioner.

LOAN REVIEW PROGRAM

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. The Loan Review Program 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 and the Commissioner, and after incorporation and adoption of all such comments, the Bank shall approve the revised Loan Review 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 Loan Review Program. 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 monthly, 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) Upon implementation, a copy of each periodic report required by the Loan Review Program 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.

#### CHARGE-OFFS

12. Within ten (10) days after the receipt of any 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 the March 9, 2009 Report of Examination and any Report of Examination thereafter that have not been previously collected or charged off.

#### COMPLIANCE WITH LAWS AND REGULATIONS

13. Within thirty (30) 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, regulations, and written orders and contraventions of policy cited in the latest Report of Examination. In addition, within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, regulations, orders, and policies.

#### AMENDED CALL REPORTS

14.(a) Within thirty (30) days from the effective date of this ORDER, the Bank shall review all Consolidated Reports of Condition and Income (Call Reports) filed with the FDIC on and after December 31, 2008, and shall amend and file with the FDIC amended Call Reports, in accordance with the Reports of Condition and Income Instructions (Instructions), which

accurately reflect the financial condition of the Bank as of the date of each such Report. Amended Call Reports are to be filed if previously submitted reports contain significant errors as dictated by the Instructions.

(b) The Bank shall file with the FDIC Call Reports that accurately reflect the financial condition of the Bank 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 State or FDIC examination of the Bank during that reporting period, to include:

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

(ii) the elimination from the Bank's books of any asset as required by paragraph 12 of this ORDER; and

(iii) other restatements as detailed in the State or FDIC examination of the Bank, or as required under this ORDER.

(c) Further, the accuracy of the Call Reports shall be attested to by at least two directors of the Bank, other than the officer signing the officer declaration on the cover (signature) page. The Bank remains responsible for the accuracy of the data in its Call Reports.

INTEREST RATE RISK POLICY

15.(a) Within sixty (60) days after the effective date of the ORDER, the Bank shall review, and amend as necessary, the Bank's written interest rate risk policy (IRR Policy). At a minimum, the IRR 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) a system for monitoring and reporting risk exposures; and

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

(b) The Bank shall submit the IRR 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 and the Commissioner, and after incorporation and adoption of any required changes, the

Bank shall approve the revised IRR 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 IRR Policy. Annually or more frequently thereafter, the Bank shall review the IRR Policy for adequacy and, based upon the above criteria, shall make necessary revisions to the IRR Policy.

#### PROGRESS REPORTS

16. Within thirty (30) days of the end of the first month following the effective date of this ORDER, and monthly 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 Commissioner. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the minutes of the meeting of the Board. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of this ORDER, including at a minimum:

- (a) description of the identified weaknesses and

deficiencies;

(b) provision(s) of this ORDER pertaining to each weakness or deficiency;

(c) actions taken or in-process for addressing each deficiency;

(d) results of the corrective actions taken;

(e) the Bank's status of compliance with each provision of the ORDER; and

(f) appropriate supporting documentation.

#### SHAREHOLDERS

17. Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and (ii) 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 sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 and the Commissioner for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the Commissioner



shall be made prior to dissemination of the description, communication, notice, or statement.

#### OTHER ACTIONS

18. This ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any action against the Bank, and of the Bank's current or former institution-affiliated parties, or any of their respective directors, officers, employees, and agents.

23. Nothing herein shall prevent the FDIC and the Connecticut Department of Banking from conducting on-site reviews and/or examinations of the Bank, its affiliates, agents, service providers or other institution-affiliated parties at any time to monitor compliance with this ORDER.

#### ORDER EFFECTIVE

19. This ORDER shall become effective upon issuance.

20. The provisions of this ORDER shall be binding upon the Bank, its successors and assigns, any of their respective directors, officers, employees, and agents, and any of the Bank's institution-affiliated parties.

21. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, suspended,

or terminated in writing by the FDIC.

Pursuant to delegated authority.

Dated at Braintree, Massachusetts, this 7th day of May,  
2009.

/s/ \_\_\_\_\_  
Mary A. Barry  
Acting Area Director