

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	CONSENT ORDER
)	
FIRST CORNERSTONE BANK)	
KING OF PRUSSIA, PENNSYLVANIA)	FDIC-10-151b
)	
(INSURED STATE NONMEMBER BANK))	
)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for First CornerStone Bank, King of Prussia, Pennsylvania (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“CONSENT AGREEMENT”), dated May 12, 2010, that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in management, earnings, asset quality, capital, liquidity, and interest rate risk procedures to the issuance of this Consent Order (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

MANAGEMENT

1. The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with their duties and responsibilities at the Bank.

BOARD PARTICIPATION

2. (a) As of the effective date of this ORDER, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.

(b) This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements' responses; reconciliation of general ledger accounts; and compliance with this ORDER. The Board's minutes shall document these reviews and approvals, including the names of any dissenting directors.

(c) The Bank shall notify the Regional Director of the FDIC's New York Regional Office ("Regional Director") and the Bureau of Commercial Institutions ("Bureau") of the Commonwealth of Pennsylvania Department of Banking ("Department") in writing of any additions, resignations or terminations of any members of its Board or any of its senior executive officers within 10 days of the event. For purposes of this ORDER, "senior executive officer" is defined in section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b). Any notification required by this subparagraph shall include a description of the background(s) and experience of any proposed replacement personnel and must be received at least 30 days prior to the individual(s) assuming the new position(s). The Bank shall also establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. Part 303.

PROFIT AND BUDGET PLAN

3. (a) Within 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 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 ("Profit Plan").

(b) The Profit Plan shall include, at a minimum:

(i) specific goals to maintain appropriate provisions to the allowance for loan and lease losses ("ALLL");

(ii) realistic and comprehensive budgets for all categories of income and expense items;

(iii) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(iv) coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and ALLL methodology with the profit and budget planning;

(v) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly;

(vi) recording the results of the budget review and any actions taken by the Bank as a result of the budget review in the minutes of the Board; and

(vii) the individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

(c) The Profit Plan shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the

Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

STRATEGIC PLAN

4. (a) Within 90 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 business/strategic plan for the years 2010 through 2013 covering the overall operation of the Bank and its 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 or otherwise adopted by the Board.

(b) The written Strategic Plan shall be specific and include timetables for the accomplishment of its goals. It shall address, at a minimum:

- (i) strategies for pricing policies and asset/liability management;
- (ii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and
- (iii) the itemization of management responsibilities, including responsibilities for commercial lending.

(c) The Strategic Plan shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Strategic Plan.

CLASSIFIED ASSETS

5. (a) Within 30 days from the effective date of this ORDER and any subsequent Report of Examination or visitation summary letter prepared by the FDIC and/or the Department, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any Report of Examination or visitation summary letter that have not been previously collected or charged off. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 45 days from the effective date of this ORDER, the Bank shall formulate and submit for review as described in subparagraph (d) a written plan ("Classified Asset Plan") to reduce the Bank's risk position in each lending relationship or other asset which is classified "Substandard" or "Doubtful" ("Classified Assets") in the Department's Report of Examination dated September 16, 2009 (as of June 30, 2009) ("Report of Examination"). For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification. .

(c) The plan shall include, but not be limited to, provisions which:

(i) prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank. The provision in this ORDER restricting lending to a classified borrower shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or a designated committee thereof, who shall determine that:

a. the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with a written explanation of why the failure to extend such credit would be detrimental;

b. the extension of such credit would improve the Bank's position, with a written explanatory statement of how and why the Bank's position would improve; and

c. an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

The Board's determinations and approval shall be made a part of the minutes of the Board or designated committee, and copies shall be submitted to the Regional Director and the Bureau at such times as the Bank submits the progress reports required by this ORDER, with a copy retained in the borrower's credit file;

(ii) for each classified asset, require documentation that includes the name and type of each classified asset and provides timeframes and specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iii) provide for review and documentation of the current financial condition of each classified borrower including source of repayment, repayment ability, and alternative repayment sources as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position;

(iv) establish collection procedures to be instituted at various stages of a borrower's delinquency;

(v) delineate areas of responsibility for loan officers and other individuals responsible for implementing and monitoring the Bank's collection policies;

(vi) reduce Classified Assets by: 20% within 6 months; 40% within 12 months; 55% within 18 months; and 75% within 24 months from the effective date of this ORDER;

(vii) for loans past due 90 days or more, require documentation of the re-inspection of loan collateral;

(viii) provide for the reduction and monitoring of the Bank's commercial real estate ("CRE") loan concentration of credit; and

(ix) provide for the submission of monthly written progress reports to the Board for review and notation in minutes of the meetings of the Board.

(d) The plan required by this paragraph shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days of receipt of any non-objection or comment from the Regional Director and the Bureau, the Board shall incorporate the comments and approve the plan, which approval shall be recorded in the minutes of the meeting of the Board. Thereafter, the Bank shall implement and fully comply with the plan. The plan shall be revised to include Classified Assets identified in all subsequent Reports of Examination and Visitation Summary Letters, and through internal risk ratings and third party loan reviews.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (e), a comprehensive policy and methodology for determining an appropriate ALLL ("ALLL Policy"). The ALLL Policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter in order that the findings of the Board may be properly reported in the Bank's Reports of Condition and Income ("Call Report"). Such reviews shall, at a minimum, be made in accordance with:

(i) the Instructions for the Call Reports;

(ii) Financial Accounting Standards Board (“FASB”) Statements Numbers 5 and 114, as codified by FASB under its Accounting Standards Codification effective after September 15, 2009 (established by FASB Statement Number 168);

(iii) the *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (FIL-105-2006, issued December 13, 2006) and the *Interagency Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Associations* (FIL-63-2001, issued July 25, 2001);

(iv) other applicable regulatory guidance that addresses the appropriateness of the Bank’s ALLL; and

(v) any analysis of the Bank’s ALLL provided by the Regional Director and the Bureau.

(b) Such reviews shall include, at a minimum:

(i) the Bank’s loan loss experience;

(ii) an estimate of the potential loss exposure in the loan portfolio;

(iii) trends of delinquent and non-accrual loans and prevailing and prospective economic conditions; and

(iv) current re-inspection of collateral where real estate is used as a secondary source of repayment.

(c) The minutes of the Board meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL. The Board shall document in the Board minutes the basis for any determination not to require provisions for loan losses in accordance with subparagraphs (a) and (b).

(d) ALLL entries required by this paragraph shall be made prior to any capital determinations required by this ORDER. ALLL entries against current earnings must be booked

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

(e) The ALLL Policy shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the Board shall approve the ALLL Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the ALLL Policy.

LOAN POLICY

7. (a) Within 30 days from the effective date of this ORDER, the Board shall conduct a review of the Bank's loan policies and procedures for adequacy and, based upon such review, shall make all appropriate revisions to the loan policies and procedures ("Loan Policy") necessary to address the lending deficiencies identified in the Report of Examination.

(b) The Loan Policy, at minimum, shall:

- (i) require that all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):
 - a. have a clearly defined and stated purpose;
 - b. have a predetermined and realistic repayment source and schedule, including secondary source of repayment;
 - c. are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d. are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which shall be maintained throughout the term of the loan; and are otherwise in conformance with the Loan Policy.

(ii) incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(iii) require accurate reporting of past due loans to the Board or the Bank's loan committee at least monthly;

(iv) require written justification of loans that are removed from non-accrual status;

(v) require the individual reporting of loans granted as exception to the Loan Policy, and aggregation of such loans in the portfolio;

(vi) prohibit the capitalization of interest or loan-related expenses unless the Board or the Bank's loan committee provides, in writing, a detailed explanation of why such action is in the best interest of the Bank;

(vii) establish review and monitoring procedures to ensure that all lending personnel adhere to the Loan Policy and ensure compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323, and the Interagency Appraisal and Evaluation Guidelines;

(viii) ensure the Board receives timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy;

(ix) require an independent review of the loan portfolio; and

(x) require inspection of construction projects by an independent third party or establish alternate compensating controls for review of construction projects.

(c) The Bank shall submit the revised Loan Policy to the Regional Director and the Bureau for non-objection within 45 days from the effective date of this Order. Within 30 days of receipt of any objections from the Regional Director and the Bureau, the Board shall address the objections and approve the 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 Loan Policy.

INDEPENDENT LOAN REVIEW

8. (a) Within 30 days from the effective date of this ORDER, the Board shall establish an independent loan review program that will provide for a quarterly review of the Bank's loan portfolio and the identification and categorization of problem credits (“Independent Loan Review Program”).

(b) At a minimum, the Independent 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. 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;

iii. identification of trends affecting the quality of the loan portfolio and potential problem areas;

iv. assessment of the overall quality of the loan portfolio;

- v. identification of credit and collateral documentation exceptions;
- vi. identification and status of violations of laws, rules, or regulations with respect to the lending function;
- vii. identification of loans that are not in conformance with the Bank's Loan Policy;
- viii. identification of loans to directors, officers, principal shareholders, and their related interests; and
- ix. a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (viii) above to the Board.

CAPITAL

9. (a) Within 180 days from the effective date of this ORDER, the Bank shall meet and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325), after establishing an adequate ALLL:

- (i) Tier 1 capital at least equal to 8.00 percent of total assets;
- (ii) Tier 1 risk-based capital at least equal to 10.50 percent of total risk-weighted assets; and
- (iii) Total risk-based capital at least equal to 12.00 percent of total risk-weighted assets.

(b) In the event any capital ratio is or falls below the minimum required by this ORDER, the Bank shall immediately notify the Regional Director and the Bureau and

- (i) within 15 days shall increase capital in an amount sufficient to comply with this ORDER; or
- (ii) within 30 days shall submit a written plan ("Capital Plan") to the Regional Director and the Bureau, describing the primary means and timing by which the Bank shall

increase its capital ratios up to or in excess of the minimum requirements set forth in this ORDER, as well as a contingency plan for the sale, merger, or liquidation of the Bank in the event the primary sources of capital are not available within 90 days.

(c) At a minimum, the Capital Plan shall include:

(i) specific plans to achieve the capital levels required under 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; and

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

(d) The Capital Plan shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Capital Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

LIQUIDITY AND FUNDS MANAGEMENT

10. (a) Within 45 days from the effective date of this ORDER, the Bank shall revise its liquidity and funds management policy (“Liquidity and Funds Management Policy”) and submit it to the Regional Director and the Bureau for non-objection or comment as described in subparagraph (c). Annually thereafter, while this ORDER is in effect, the Bank shall review its policy for adequacy and, based upon such review, shall make necessary revisions to the policy to strengthen funds management procedures and maintain adequate provisions to meet the Bank’s liquidity needs.

(b) The Liquidity and Funds Management Policy shall include, at a minimum, provisions which:

- (i) define lines of responsibility and authority;
- (ii) provide a statement of the Bank’s long-term and short-term liquidity needs and plans for ensuring that such needs are met;
- (iii) provide for a periodic review of the Bank’s deposit structure, including the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;
- (iv) establish a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report and shall address the means by which the Bank will seek to reduce its reliance on non-core funding and high cost rate-sensitive deposits;
- (v) establish contingency plans by identifying alternative courses of action designed to meet the Bank’s liquidity needs;

(vi) otherwise comply with the guidance set forth in the *Interagency Policy Statement on Funding and Liquidity Risk Management* (March 17, 2010) and *Liquidity Risk Management* (August 26, 2008, FIL-84-2008); and

(vii) report exceptions to the Bank's liquidity parameters to the Board and record exceptions in Board minutes.

(c) The Liquidity and Funds Management Policy shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the Board shall approve the Liquidity and Funds Management Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Liquidity and Funds Management Policy.

INTEREST RATE RISK

11. (a) Within 45 days from the effective date of the ORDER, the Bank shall develop and submit for review as described in subparagraph (c) an interest rate risk policy and procedures ("IRR Policy") that shall include, at a minimum:

(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;

(iii) a system for monitoring and reporting risk exposures;

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

(v) annual back testing and valuations of interest rate risk models by an independent source with results reported to the ALCO and the Board.

(b) The IRR Policy shall address the exceptions noted in the current Report of Examination, comply with the Federal Financial Institutions Examination Council's ("FFIEC") *Advisory on Interest Rate Risk Management* (FIL-2-2010, issued January 6, 2010) and the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996).

(c) The IRR Policy shall be submitted to the Regional Director and the Bureau for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Bureau, and after incorporation and adoption of all comments, the Board shall approve the IRR Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the IRR Policy.

BROKERED DEPOSITS

12. The Bank shall not accept, increase, renew, or rollover its brokered deposits (as defined in section 337.6 of the FDIC Rules and Regulations, 12 C.F.R. § 337.6) without the prior written approval of the Regional Director.

FIDELITY BOND

13. (a) Immediately upon renewal of the Bank's current bond required by 7 P.S. § 1410 (the "Bond") the Bank shall provide a full and complete copy to the Regional Director and the Bureau. The Bank shall provide a copy of the required Bond to the Regional Director and the Bureau each time the Bond is renewed while this ORDER remains in effect.

(b) The Bank shall immediately notify the Regional Director and the Bureau of any notifications or information from the Bank's bond insurance carrier, its agents and/or representatives that the Bond is not going to be renewed or will be terminated.

COMPLIANCE COMMITTEE

14. Within 30 days from the effective date of this ORDER, the Bank's Board shall appoint a committee ("Compliance Committee") composed of at least three directors who are not now, and

have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Regional Director and the Bureau, to monitor the Bank's compliance with this ORDER. Within 30 days from the effective date of this ORDER, and at monthly intervals thereafter, such Compliance Committee shall prepare and present to the Board a written report of its findings, detailing the form, content, and manner of any action taken to ensure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the minutes of the Board meetings and submitted with the progress reports required by this ORDER. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

15. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Bureau written progress reports, detailing the actions taken to secure compliance with the ORDER and the results thereof.

DIVIDEND RESTRICTION

16. The Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Bureau.

CORRECTION OF VIOLATIONS

17. Within 30 days from the effective date of this ORDER, the Bank shall:

- (i) consistent with safe and sound banking practices, eliminate or correct all violations of law, rules, and regulations cited in the current Report of Examination;
- (ii) consistent with safe and sound banking practices, eliminate or correct all contraventions of regulatory policies or guidelines cited in the current Report of Examination;

(iii) adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, regulations, and regulatory policies and guidelines.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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

Issued Pursuant to Delegated Authority.

Dated this 12th day of May, 2010.

/s/
Doreen R. Eberley
Regional Director
New York Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation