

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	
)	CONSENT ORDER
HARVEST BANK OF MARYLAND)	
ROCKVILLE, MARYLAND)	FDIC-10-349b
)	
(INSURED STATE NONMEMBER BANK))	
)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for HarVest Bank of Maryland, Rockville, Maryland, (“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 June 30, 2010, that is accepted by the FDIC and has also entered into a Stipulation to the Issuance of a Consent Order, dated June 30, 2010, with the Commissioner of Financial Regulation for the State of Maryland (“Commissioner”). 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 capital, liquidity, earnings, asset quality and management and board oversight, to the issuance of this Consent Order (“ORDER”) by the FDIC, and consented to the adoption of the ORDER by the Commissioner.

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. (a) During the life of this ORDER, the Bank shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws, rules, and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition, including capital adequacy; asset quality; management effectiveness, including effective risk management; earnings; liquidity; and sensitivity to interest rate risk.

(b) The Bank shall notify the Regional Director and the Commissioner in writing of any additions, resignations or terminations of any members of its Board or any of its “senior executive officers” (as that term is defined in section 303.101(b) of the FDIC’ Rules and Regulations, 12 C.F.R. § 303.101(b)) within 10 days of the event. 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’s Rules and Regulations, 12 C.F.R. Part 303.

BOARD PARTICIPATION

2. (a) The Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval and maintenance of sound policies and objectives and for the

adequate 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 the establishment of policies and procedures that require a risk assessment and prudent limitations for all new strategic initiatives, activities, products and third party transactions. The risk assessment shall include identification and monitoring of credit, operating, transaction, liquidity, market, reputation, strategic, compliance, legal, and other risks.

(c) This participation shall also include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: risk assessment; reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; reconciliation of general ledger accounts; compliance with limitations established for commercial real estate and purchased loans; enhanced commercial real estate monitoring; prudent purchased loan credit analyses, and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

CAPITAL

3. (a) Within 45 days from the effective date of this ORDER, the Board shall develop a written capital plan ("Capital Plan"), subject to review and approval of the Regional Director and the Commissioner, that details the manner in which the Bank will meet and maintain a leverage ratio of at least 8% and a total risk-based capital ratio of at least 12% (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325). At a minimum, the Capital Plan shall include specific benchmark leverage and total risk-based capital ratios to be met at each calendar quarter end until the required capital levels are achieved. The Bank shall comply with the

FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(b) In the event any capital ratio is or falls below the minimum required by the approved Capital Plan, the Bank shall immediately notify the Regional Director and the Commissioner and

(i) within 45 days shall increase capital in an amount sufficient to comply with the ratios as set forth in the approved Capital Plan, or

(ii) within 45 days submit to the Regional Director and the Commissioner a contingency plan for the sale, merger, or liquidation of the Bank in the event the primary sources of capital are not available.

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

(d) The Board shall review the Bank's adherence to the Capital Plan, at a minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER, and any material changes to the Capital Plan no later than 10 days after completion.

STRATEGIC PLAN

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit for review as required by subparagraph (c) a written strategic plan ("Strategic Plan") supported by an operating budget and 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 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) The Strategic Plan shall include, at a minimum:

(i) identification of the major areas in and means by which the Bank will seek to improve operating performance;

(ii) specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses,

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

(iv) coordination of the Bank's loan, investment, funds management, and operating policies, profit and budget plan, and ALLL methodology with the Strategic Plan.

(c) The Strategic Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, 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.

(d) The Strategic Plan required by this ORDER shall be revised 60 days prior to the end of each calendar year. Thereafter the Board shall approve the revised Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

ASSETS CLASSIFIED LOSS

5. The Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the FDIC or the Commissioner in the current Report of Examination dated December 29, 2009 ("Report of Examination") that have not been previously collected or charged off. Elimination or reduction of such assets with the proceeds of other Bank extensions of credit shall not be considered "collection" for purposes of this paragraph. Thereafter, within 15 days after the receipt of any report of examination of the Bank from the FDIC or the Commissioner, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any report of examination that have not been previously collected or charged off.

CLASSIFIED ASSETS REDUCTION

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit for review as described in subparagraph (c) a written plan ("Classified Asset Plan") to reduce the Bank's risk position in each asset in excess of \$500,000 which is classified "Substandard" or "Doubtful" in the Report of Examination, with the exception of any nontraditional mortgage loan serviced by a third party. Thereafter, within 60 days after the receipt of any future report of examination of the Bank from the FDIC or the Commissioner, the Bank shall revise the Classified Asset Plan to reduce the Bank's risk position in each asset in excess of \$500,000 which is classified "Substandard" or "Doubtful" in that report of examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Regional Director and the Commissioner.

(b) In developing the Classified Asset Plan, the Bank shall include, at a minimum, the following:

(i) an action plan to review, analyze and document 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;

(ii) a specific action plan to reduce delinquencies and classified assets to 75% of Tier 1 capital and the Allowance for Loan and Lease Losses ("ALLL"); and 50% of Tier 1 capital and ALLL within 12 and 18 months, respectively, from the effective date of this ORDER;

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

(iv) delineate areas of responsibility for loan officers; and

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

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

(d) The Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the Report of Examination or any future report of examination, so long as such credit remains uncollected.

(e) The Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful" in the Report of Examination or any future report of examination, and is uncollected, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest 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:

(i) 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;

(ii) 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

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

(f) The Board's determinations and approval shall be recorded in the minutes of the Board meeting, or designated committee, and copies shall be maintained in the respective loan files.

ALLOWANCE FOR LOAN AND LEASE LOSSES

7. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (c) a comprehensive policy and methodology for determining the 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 15 days prior to the end of each calendar quarter in order that the results of the review conducted by the

Board may be properly reported in the quarterly Reports of Condition and Income. Such reviews shall, at a minimum, be made in accordance with:

- (i) 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)("FASB 5 and 114");
- (ii) the FFIEC's Instructions for the Consolidated Reports of Condition and Income;
- (iii) the *Interagency Statement of Policy on the Allowance for Loan and Lease Losses* (FIL-105-206, issued December 13, 2006);
- (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 FDIC and the Commissioner.

- (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 portfolio;
 - (iii) trends of delinquent and non-accrual loans and prevailing and prospective economic conditions; and
 - (iv) consideration of concentrations of credit.

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

(c) The ALLL Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, 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.

(d) A deficiency in the 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 Consolidated Reports of Condition and Income ("Call Report"). The Bank shall thereafter maintain an appropriate ALLL.

(e) The analysis supporting the determination of the adequacy of the ALLL shall be submitted to the Regional Director and the Commissioner. These submissions shall be made at such times as the Bank files the progress reports required by this ORDER or sooner upon the written request of the Regional Director or the Commissioner. In the event that the Regional Director or the Commissioner determines that the Bank's ALLL is inadequate, the Bank shall increase its ALLL and amend its Call Reports accordingly.

LOAN POLICY

8. (a) Within 60 days from the effective date of this ORDER, the Bank 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. The Loan Policy shall be submitted for review as described in subparagraph (c).

(b) The Loan Policy shall include, at minimum, the following:

(i) require that all extensions of credit originated or renewed by the Bank:

- 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 revised Loan Policy;
- (ii) require an internal Bank credit analysis, including an assessment of repayment ability and collateral value on purchased loans, including loans previously purchased without such an analysis;
 - (iii) require monthly monitoring and analyses of the Bank's commercial real estate loan portfolio consistent with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (FIL-104-2006, issued December 12, 2006); and
 - (iv) appropriate risk management practices and guidelines for the restructuring of loans and for the timely identification and reporting of troubled debt restructurings, as defined in the Call Report instructions and as outlined in the *Policy Statement on Prudent Commercial Real Estate Loan Workouts* (FIL-61-2009, issued October 30, 2009).
- (c) The Loan Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days of receipt of non-objection or comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Loan Policy, which approval shall be

recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Policy.

LOAN REVIEW PROGRAM

9. (a) Within 45 days from the effective date of this ORDER, the Board shall establish a revised program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits ("Loan Review Program").

(b) 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) 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 lending 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.

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

CONCENTRATION OF CREDIT - COMMERCIAL REAL ESTATE

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (c) a written plan for systematically reducing and monitoring the Bank's commercial real estate ("CRE") loan concentration of credit identified in the Report of Examination to an amount which is commensurate with the Bank's capital levels, business strategy, management expertise, size, and location ("CRE Concentration Reduction Plan"). Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest 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:

- (i) 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;
 - (ii) 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
 - (iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.
- (b) The Board's determinations and approval shall be recorded in the minutes of the Board meeting, or designated committee, and copies shall be maintained in the respective loan files.
- (c) The CRE Concentration Reduction Plan shall include, but not be limited to:
- (i) dollar levels and percent of total capital to which the Bank shall reduce the concentration;
 - (ii) timeframes for achieving the reduction in dollar levels in response to (i) above;
 - (iii) provisions requiring compliance with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices* (FIL-104-2006, issued December 12, 2006) and *Managing Commercial Real Estate Concentrations in a Challenging Environment* (FIL-22-2008, issued March 17, 2008);
 - (iv) provisions for controlling and monitoring of CRE, including plans to address the rationale for CRE levels as they relate to growth and capital targets, segmentation and testing of the CRE portfolio to detect and limit concentrations with similar risk characteristics; and

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

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

CONCENTRATION – NONTRADITIONAL MORTGAGE LOANS

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (c) a written plan for systematically reducing and monitoring the Bank's concentration of nontraditional mortgage loans ("NTM Concentration Plan"), identified in the Report of Examination to an amount which is commensurate with the Bank's capital levels, business strategy, management expertise, size, and location. Such NTM Concentration Plan shall prohibit any advances made by the Bank that would increase the concentration unless the advance is pursuant to an existing loan and/or servicing agreement or unless, prior to the extension, the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank and makes the same determinations as those required under paragraph 9(a)(i) through (iii), and records the determinations and approval of the extension in the minutes of the Board meeting, or designated committee, with copies maintained in the respective loan files.

(b) The NTM Concentration Plan shall include, but not be limited to:

(i) dollar levels and percent of Tier 1 capital to which the Bank shall reduce the concentration;

(ii) timeframes for achieving the reduction in dollar levels in response to (i) above;

(iii) provisions requiring compliance with the *Interagency Guidance on Nontraditional Mortgage Products Risk* (FIL-89-2006, issued October 5, 2006);

(iv) provisions for controlling and monitoring of nontraditional mortgage loans; and

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

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

DIVIDEND RESTRICTION

12. The Bank shall not declare or pay any dividend or management fee to its parent holding company or any institution-affiliated party of the Bank without the prior written consent of the Regional Director and the Commissioner.

PROFIT AND BUDGET PLAN

13. (a) Within 60 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Bank shall formulate and submit for review as described in subparagraph (c) a written profit and budget 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.

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

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

(ii) specific goals to maintain appropriate provisions to the ALLL;

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

(iv) 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; and

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

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

(d) Within 30 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the Profit Plan, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Boards' meeting at which such evaluation is undertaken.

BROKERED DEPOSITS

14. (a) The Bank shall not accept, renew, or rollover any brokered deposit, as defined by section 337.6(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6(a)(2), unless it is in compliance with the requirements of 12 C.F.R. § 337.6(b), governing solicitation and acceptance of brokered deposits by insured depository institutions.

(b) The Bank shall comply with the restrictions on the effective yields on deposits described in section 337.6 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6.

(c) Within 30 days from the effective date of this ORDER, the Bank shall formulate and submit for review as described in subparagraph (d) a written plan for reducing the Bank's reliance on brokered deposits ("Brokered Deposit Plan"). The Brokered Deposit Plan shall detail the current composition of the Bank's brokered deposits by maturity and explain the means by which such deposits will be paid.

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

LIQUIDITY AND FUNDS MANAGEMENT

15. (a) Within 30 days from the effective date of this ORDER, the Bank shall formulate a liquidity and funds management policy to strengthen the Bank's funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs ("Liquidity and Funds Management Policy"). The policy shall be submitted for review as described in subparagraph (c).

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

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

(ii) 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;

(iii) identify the source and use of borrowed and/or volatile funds, including, but not limited to, brokered and high cost rate-sensitive deposits;

(iv) establish a reasonable range for borrowed and volatile funding and address the means by which the Bank will seek to reduce its reliance on non-core and volatile funding;

(v) establish sufficient back-up lines of credit that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;

(vi) require the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

(vii) establish a minimum liquidity ratio and define how the ratio is to be calculated;

(viii) establish contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;

(ix) address the use of borrowings; address concentration of funding sources; and address pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Federal funds purchased, Federal Home Loan Bank borrowings, and other correspondent borrowings); and

(x) comply with the guidance set forth in *Liquidity Risk Management* (FIL-84-2008, issued August 26, 2008) and *Funding and Liquidity Risk Management Interagency Guidance* (FIL-13-2010, issued on April 5, 2010).

(c) The Liquidity and Funds Management Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, 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.

(d) The Bank shall review annually its Liquidity and Funds Management Policy for adequacy and, based upon such review, shall make necessary revisions to the policy.

INTEREST RATE RISK

16. (a) Within 30 days from the effective date of this 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 defines lines of responsibilities and authority for managing risk; and

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

(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 Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, 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.

AUDIT PROGRAM

17. (a) Within 30 days from the effective date of this ORDER, the Bank shall revise its audit program ("Audit Program") to establish appropriate and effective procedures to protect the integrity of the Bank's operational and accounting systems.

(b) At a minimum the Audit Program shall:

(i) comply with the *Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations* and the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing*;

- (ii) adhere to the Audit Committee's quarterly meeting schedule to ensure timely review of the audits;
 - (iii) formally assign responsibility for managing the internal audit function;
 - (iv) develop an overall audit plan that encompasses both internal and external audits to ensure that all relevant areas are addressed;
 - (v) expand the scope of audits to include adherence to regulatory guidelines, generally accepted accounting principles, and Bank policies and procedures,
 - (vi) centralize the tracking of internal/external audit and regulatory exceptions, and regularly report exception status to the Audit Committee; and
 - (vii) provide for quarterly reports of audit findings from the auditors directly to the Board. The minutes of the Board shall reflect consideration of these reports and describe any discussion or action taken as a result thereof.
- (c) The Audit Programs shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Audit Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Audit Program.

PROGRESS REPORTS

18. Within 30 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 Commissioner written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the Board minutes.

COMPLIANCE COMMITTEE

19. (a) Within 30 days from the effective date of this ORDER, the Board shall establish a compliance committee ("Compliance Committee"), a majority of which members who are not now, and have never been, involved in the daily operations of the Bank, with the responsibility of ensuring compliance with the provisions of this ORDER.

(b) The Compliance Committee shall monitor compliance with this ORDER and submit a written report monthly to the entire Board, and a copy of the report and any discussion related to the report or this ORDER shall be included in the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Regional Director and the Commissioner as part of 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.

SHAREHOLDER DISCLOSURE

20. Within 30 days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company. The description shall fully describe the ORDER in all material aspects.

CORRECTION OF VIOLATIONS

21. The Bank shall take all steps necessary, consistent with other provisions of this ORDER and safe and sound banking practices, to eliminate or correct and prevent unsafe or unsound banking practices, violations of law or regulation, all items listed for Special Mention or Technical Exceptions and contraventions of regulatory policies or guidelines cited in the current Report of Examination.

ORDER EFFECTIVE

22. This ORDER shall be effective on the date of issuance.

23. The provisions of this ORDER shall be binding upon the Bank, its directors, officers employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.
24. The provisions of this ORDER shall not bar, stop, 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.
25. 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: July 2, 2010

By:

/s/
Doreen R. Eberley
Regional Director
Division of Supervision and Consumer Protection
New York Regional Office