

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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	)	
In the Matter of	)	
	)	CONSENT ORDER
THE COMMUNITY’S BANK	)	
BRIDGEPORT, CONNECTICUT	)	FDIC-09-744b
	)	
(Insured State Nonmember Bank)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for The Community’s Bank, Bridgeport, Connecticut (“Bank”), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation to the Issuance of a Consent Order” (“Stipulation”), dated February 17, 2010, that is accepted by the FDIC. With the Stipulation, 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 liquidity, capital, asset quality, and earnings, to the issuance of this Consent Order (“Order”) by the FDIC.

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

**MANAGEMENT – BOARD SUPERVISION**

1. Within thirty (30) days after the effective date of this ORDER, the Bank’s Board shall further increase its participation in the affairs of the Bank by assuming full responsibility

for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all of the Bank's activities. The Board's participation in the Bank's affairs shall continue to include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the Board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, non-accrued, and recovered loans; investment activities; operating policies; and individual committee actions. The Bank's Board's minutes shall document the Board's reviews and approvals, including the names of any dissenting directors.

#### **MANAGEMENT – RETENTION OF QUALIFIED MANAGEMENT**

2. (a) 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:

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

(b) The Bank shall notify the Area Director of the Boston Area Office ("Area Director") and the State of Connecticut Banking Commissioner ("Commissioner") in writing of any changes in senior management or the Board. The notification must include the name(s) and

background(s) of any replacement personnel and must be provided thirty (30) days prior to the individual(s) assuming the new position(s). This paragraph does not eliminate any requirement of the Bank to provide notification to the FDIC pursuant to Section 32 of the Federal Deposit Insurance Act, 12 U.S.C. § 1831i.

**MANAGEMENT – STAFFING STUDY**

3. (a) Within sixty (60) days after the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Area Director and the Commissioner. The consultant shall develop a written analysis and assessment of the Bank’s management and staffing needs (“Management Plan”) for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Area Director and the Commissioner with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

- (i) a description of the work to be performed under the contract or engagement letter;
- (ii) the responsibilities of the consultant;
- (iii) an identification of the professional standards covering the work to be performed;
- (iv) identification of the specific procedures to be used when carrying out the work to be performed;
- (v) the qualifications of the employee(s) who are to perform the work;
- (vi) the time frame for completion of the work;
- (vii) any restrictions on the use of the reported findings; and

(viii) a provision for unrestricted examiner access to the consultant's work papers.

(c) The Management Plan shall be developed within one hundred and twenty (120) days after the effective date of this ORDER. The Management Plan shall include, at a minimum:

- (i) identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) identification and establishment of such Bank committees as are needed to provide effective guidance and oversight to management;
- (iii) evaluation of all Bank officers including all officers at the assistant vice-president level and above to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and
- (iv) a plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified in the Management Plan.

(d) The Management Plan shall be submitted to the Area Director and the Commissioner for review and comment upon its completion. Within thirty (30) days from the

receipt of any comments from the Area Director and the Commissioner, and after the adoption of any recommended changes, the Bank shall approve the Management Plan, and record its approval in the minutes of the Board meeting. Thereafter, the Bank shall implement and follow the Management Plan.

### **CAPITAL**

4. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall submit a written capital plan (“Capital Plan”) to the Area Director and the Commissioner to increase its Tier 1 Capital by no less than \$1,033,000. The Capital Plan shall also require the Bank, after establishing, to the extent not already done, an Allowance for Loan and Lease Losses, to achieve and maintain its Tier 1 Leverage Capital at or in excess of nine (9) percent of the Bank’s Average Total Assets; to achieve and maintain its Tier 1 Risk-Based Capital at or in excess of nine (9) percent of the Bank’s Total Risk-Weighted Assets; and to achieve and maintain its Total Risk-Based Capital at or in excess of ten (10) percent of the Bank’s Total Risk Weighted Assets.

(b) Within thirty (30) days from the receipt of any comments from the Area Director or Commissioner, and after adoption of any recommended changes, the Board shall approve the Capital Plan, and record its approval in the minutes of the Board Meeting. Thereafter, the Bank shall immediately initiate measures detailed in the Capital Plan.

(c) Any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (i) the sale of securities in the form of common stock; or
- (ii) the direct contribution of cash by the directors and/or shareholders of the Bank or by the Bank’s holding company subsequent to

October 5, 2009; or

- (iii) receipt of an income tax refund subsequent to October 5, 2009; or
- (iv) any other method approved by the Area Director and the Commissioner.

(d) If any of the Bank's capital ratios are less than those required by the ORDER, determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the State of Connecticut Department of Banking ("State"), the Bank shall, within thirty (30) days after receipt of a written notice of the capital deficiency from the Area Director or the Commissioner, present to the Area Director and the Commissioner a revised capital plan to increase the Bank's Tier 1 Capital, or to take other measures to bring all of the Bank's capital ratios to the percentages required by this ORDER. Within thirty (30) days from the receipt of any comments from the Area Director or the Commissioner, and after adoption of any recommended changes, the Board shall approve the revised capital plan and records its approval in the minutes of the Board meeting. Thereafter, the Bank shall immediately initiate measures detailed in the revised capital plan.

(e) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's Board shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares 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, 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 Federal and State 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 public offering materials, the plan and any materials used in the public offering of the securities by the Bank shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429 and the Connecticut Department of Banking for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock by the Bank, then all terms and conditions of the issue shall be presented to the Area Director and the Commissioner for prior approval.

(f) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, 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 change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank securities. The written notice required by this paragraph shall be furnished within ten (10) days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(g) 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, App. A.

(h) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

### **CHARGE-OFFS**

5. Within ten (10) days after the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the Joint FDIC/State Report of Examination dated October 5, 2009 (“2009 Report of Examination”) to the extent that such action has not already been taken. Thereafter, within ten (10) days after the receipt of any subsequent Report of Examination from the FDIC and/or the State, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in such Reports.

### **STRATEGIC PLAN**

6. (a) Within ninety (90) days after the effective date of this ORDER, the Bank shall submit a comprehensive strategic plan (“Strategic Plan”) to the Area Director and Commissioner for review and comment. 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 written Strategic Plan shall address, at a minimum:

- (i) strategies for pricing policies and asset/liability management;
- (ii) plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;
- (iii) goals for reducing problem loans;
- (iv) plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;
- (v) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and



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

(c) Within thirty (30) days after receipt of any comments from the Area Director or Commissioner, and after adoption of any recommended changes, the Bank shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and follow the Strategic Plan.

(d) Within thirty (30) days after the end of each calendar quarter following the effective date of this ORDER, the Bank's 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 Bank's Board meeting at which such evaluation is undertaken.

(e) The Strategic Plan shall be revised if necessary and submitted to the Area Director and the Commissioner for review and comment thirty (30) days after the end of each calendar year. Within thirty (30) days after receipt of all such comments from the Area Director and the Commissioner and after adoption of any recommended changes the Bank shall approve the revised Strategic Plan, which approval shall be recorded in the minutes of the Bank's Board meeting. Thereafter, the Bank shall implement and follow the revised Strategic Plan.

### **LIQUIDITY -- ASSET/LIABILITY MANAGEMENT**

7. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall appoint two non-officer directors to the Bank's Asset/Liability Committee ("ALCO"). The ALCO shall take an active role in monitoring the Bank's liquidity and report monthly to the Bank's Board concerning the Bank's liquidity.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall submit to the Area Director and the Commissioner for review and comment a written plan addressing the Bank's liquidity, relationship of volatile liabilities to temporary investments, rate sensitivity objectives, and asset/liability management ("Liquidity Plan"). Thereafter, on an annual basis, the Bank shall review this plan for adequacy and, based upon such review, shall make necessary revisions to the plan to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

- (i) establishing operating levels and timetables for reducing the ratio of total loans to total assets and thereafter the Bank's total loan to total assets ratio shall be monitored on a monthly basis and maintained at a level consistent with safe and sound banking practices;
- (ii) establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;
- (iii) identifying the source and use of borrowed and/or volatile funds;
- (iv) establishing lines of credit at correspondent banks, including the Federal Reserve Bank of New York and the Federal Home Loan Bank, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;
- (v) requiring 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;

- (vi) establishing a minimum liquidity ratio and defining how the ratio is to be calculated;
- (vii) establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs; and
- (viii) addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds;
- (ix) addressing concentration of funding sources; and
- (x) addressing pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings).

(c) Within thirty (30) days from receipt of any comments from the Area Director or Commissioner, and after adoption of any recommended changes, the Board shall approve the revised Liquidity Plan, and record its approval in the minutes of the Board meeting. Thereafter, the Bank shall implement the plan.

#### **CONCENTRATIONS – PLAN FOR REDUCTION**

8. (a) Within sixty (60) days from the effective date of this Order, the Bank shall submit to the Area Director and the Commissioner for review and comment, a written Concentration Plan to systematically reduce and monitor the Bank's concentrations of credit as

described in the Concentrations page of the Report of Examination. The Concentration Plan shall provide for the reduction of loans and other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers in Commercial Real Estate loans, Non-Owner Occupied Commercial Real Estate loans, and Construction and Development loans, to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. Such Concentration Plan shall prohibit the Bank from making or renewing any extensions or commitments of credit to or for the benefit of any borrower or associated entities so long as such extension or commitment would result in the Bank exceeding any limit contained in the Concentration Plan. At a minimum, the Concentration Plan shall include:

- (i) Dollar levels and percent of capital to which the Bank shall reduce each concentration;
  - (ii) Timeframes for achieving the reduction in dollar levels identified in response to (i) above;
  - (iii) Provisions for the submission of monthly written progress reports to the Bank's Board for review and notation in minutes of the meetings of the Bank's board of directors; and
  - (iv) For purposes of the plan, "reduce" means to:
    - (a) charge-off;
    - (b) collect;
    - (c) sell without recourse; and/or
    - (d) increase the Bank's Tier 1 Capital.
- (b) Within thirty (30) days of receipt of comments from the Area Director or the Commissioner, and after incorporation and adoption of any required changes, the Board shall

approve the Concentration Plan and record its approval in the minutes of the Board meeting. Thereafter, the Bank shall implement the Concentration Plan.

### **BUDGET AND PROFIT PLAN**

9. (a) Within sixty (60) days after the effective date of this ORDER, the Bank shall formulate and submit to the Area Director and the Commissioner for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense (collectively the "Profit Plan") for calendar year 2010. Within thirty (30) days from the receipt of any comments from the Area Director or Commissioner, and after adoption of any recommended changes, the Board shall approve the Profit Plan and record its approval in the minutes of the Board meeting. Thereafter, the Bank shall implement and follow the Profit Plan and any subsequent modifications thereto pursuant to subparagraph (d) of this paragraph.

(b) The Profit Plan shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components. The Profit Plan shall also address, at a minimum:

- (i) an analysis of the Bank's pricing structure; and
- (ii) a recommendation for reducing the Bank's cost of funds.

(c) Within thirty (30) days after the end of each calendar quarter following completion of the Profit Plan, the Bank's 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 Board meeting when such evaluation is undertaken.

(d) The Profit Plan shall be reviewed and updated as necessary each fiscal year and shall be submitted to the Area Director and the Commissioner for review and comment within thirty (30) days after the end of each fiscal year. Within thirty (30) days after receipt of all such comments from the Area Director and the Commissioner and after adoption of any recommended changes, the Bank shall approve the updated Profit Plan, which approval shall be recorded in the minutes of a Board meeting. Thereafter, the Bank shall implement and follow the updated Profit Plan.

### **INTEREST RATE RISK**

10. Within sixty (60) days after the effective date of the ORDER, the Bank shall submit to the Area Director and Commissioner an interest rate risk policy and procedures (“IRR Policy”) that shall include, at a minimum:

- (a) measures designed to control the nature and amount of interest rate risk to which the Bank is exposed, including the delineation of specific risk limits and the delegation of responsibility and authority for managing such risk to appropriate Bank officer(s);
- (b) a system for identifying and measuring interest rate risk;
- (c) a system for monitoring and reporting risk exposures; and
- (d) a system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

### **SPECIAL MENTION AND TECHNICAL EXCEPTIONS**

11. (a) Within sixty (60) days after the effective date of this ORDER, the Bank shall correct, and if not possible to correct, take all appropriate action to address, all deficiencies in the loans listed for Special Mention in the 2009 Report of Examination.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall correct, and if not possible to correct, take all appropriate action to address, the technical exceptions listed in the 2009 Report of Examination.

(c) Within sixty (60) days after the effective date of this ORDER, the Bank shall implement a system of monitoring loan documentation exceptions on an ongoing basis and implement procedures designed to reduce the occurrence of such exceptions in the future.

### **CORRECTION OF VIOLATIONS**

12. (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the 2009 Report of Examination as apparent violations.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

(c) Within thirty (30) days after the effective date of this ORDER, the Bank shall address any contraventions of policy noted in the 2009 Report of Examination.

### **DIVIDEND RESTRICTION**

13. The Bank shall continue to not declare or pay any cash dividend without the prior written consent of the Area Director and the Commissioner.

### **PROGRESS REPORTS**

14. Within forty-five (45) days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Area Director and the Commissioner written progress reports signed by each member of the Bank's Board, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Area Director and the Commissioner have released, in writing, the Bank from making further reports.

### **SHAREHOLDER NOTIFICATION**

15. After 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 shareholder.

This ORDER shall be binding upon the Bank, its successors and assigns, and all institution-affiliated parties of the Bank. 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, terminated, superseded, or set aside by the FDIC.

This ORDER will become effective upon its issuance by the FDIC.



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.

Pursuant to delegated authority.

Dated this 17th day of February, 2010.

/s/  
Daniel E. Frye, Area Director  
Boston Area Office  
Division of Supervision and Consumer Protection  
Federal Deposit Insurance Corporation