FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of	)	AMENDED CONSENT ORDER
FIRST STATE BANK CRANFORD, NEW JERSEY	)	FDIC-08-166b
(INSURED STATE NONMEMBER BANK)	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for FIRST STATE BANK, CRANFORD, NEW JERSEY ("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 AN AMENDED CONSENT ORDER ("CONSENT AGREEMENT"), dated July 14, 2011, 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 and violations of law and/or regulations relating to weaknesses in management, capital, asset quality and earnings, to the issuance by the FDIC of this Amended Consent Order ("AMENDED ORDER"), which amends and restates the CONSENT ORDER ("ORDER") issued by the FDIC on October 2, 2009.

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 amends and restates the ORDER as set forth below:

MANAGEMENT

1. (a) The Bank shall have and retain qualified management. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and complexity and experience in upgrading a low quality loan portfolio; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management. The Board shall provide the necessary written authority to management to implement the provisions of this AMENDED ORDER.

(b) The qualifications of management shall be assessed on its ability to:

(i) comply with the requirements of this AMENDED 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, earnings, liquidity, and sensitivity to interest rate risk.

BOARD PARTICIPATION

2. (a) 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 AMENDED ORDER. Board 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 New Jersey Department of Banking and Insurance ("State Supervisory Authority") 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's Rules and Regulations, 12 C.F.R. § 303.101(b)) within 10 days of the event. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, or any change in the title or function of a senior executive officer, the Bank shall request and obtain the Regional Director's and the State Supervisory Authority's written approval. 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.

CAPITAL

3. (a) Within 45 days from the effective date of this AMENDED ORDER, the Board shall develop a written capital plan ("Capital Plan"), subject to review and approval of the Regional Director and the State Supervisory Authority as described in subparagraph (c), that details the manner in which the Bank will meet and maintain a Leverage Ratio of at least 8 % ; a Tier 1 Risk-Based Capital Ratio of at least 10 %; and a Total Risk-Based Capital Ratio of at least 12 % (as such terms are 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 Ratios, Tier 1 Risk-Based Capital Ratios, 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's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(b) In the event any required capital ratio falls below the minimum required by the approved Capital Plan, the Bank shall immediately notify the Regional Director and the State Supervisory Authority and within 60 days shall either:

(i) increase capital in an amount sufficient to comply with the capital ratios as set forth in the approved Capital Plan; or

(ii) submit to the Regional Director and the State Supervisory Authority 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 shall be submitted to the Regional Director and the State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, and after incorporation and adoption of all or 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.

(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 State Supervisory Authority as part of the progress reports required by this AMENDED ORDER, and any material changes to the Capital Plan shall be submitted to the Regional Director and the State Supervisory Authority no later than 10 days after completion.

LOSS CHARGE-OFF

4. (a) 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 State Supervisory Authority in the current 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 State Supervisory Authority, 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.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

5. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall formulate and submit for review as described in subparagraph (c), a written plan ("Delinquent and Classified Asset Plan") to reduce the Bank's risk position in each asset in excess of $200,000 which is more than 90 days delinquent or classified "Substandard," "Doubtful" or listed for “Special Mention” in the current Report of Examination. Thereafter, the Delinquent and Classified Asset Plan shall be revised to reduce the Bank’s risk position in each asset in excess of $200,000 which becomes more than 90 days delinquent or classified “Substandard,” “Doubtful” or listed for “Special Mention” in any 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 State Supervisory Authority.

(b) The Delinquent and Classified Asset Plan shall include, at a minimum, the following:

(i) an action plan to review, analyze and document the current financial condition of each delinquent or 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 schedule for reducing the outstanding dollar amount of each delinquent or adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each delinquent or adversely classified asset must show its dollar balance on a quarterly basis);

(iii) specific action plans intended to reduce the Bank's risk exposure in each delinquent or classified asset and to correct all deficiencies in the assets listed for “Special Mention;”

(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 Delinquent and Classified Asset Plan shall be submitted to the Regional Director and the State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, and after incorporation and adoption of all comments, the Board shall approve the Delinquent and 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 Delinquent and 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 current 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 is more than 90 days delinquent or has been classified "Substandard," "Doubtful," or is listed for "Special Mention" in the current 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 subparagraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board 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 and copies shall be submitted to the Regional Director and the State Supervisory Authority at such times as the Bank submits the progress reports required by this AMENDED ORDER or sooner upon the written request of the Regional Director or the State Supervisory Authority.

LOAN POLICY

6. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall conduct a review of the Bank's loan policies and procedures for adequacy and effectiveness and, based upon such review, shall make all appropriate revisions to the loan policies and procedures ("Loan Policy") necessary to strengthen the Bank's lending procedures and to prevent further loan deterioration. The revised Loan Policy shall be submitted for review as described in

subparagraph (c). The Board shall also establish review and monitoring procedures to ensure that all lending personnel are adhering to the Loan Policy, and that the Board is receiving timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy.

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

(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) establish lending limits for each officer, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Bank's loan committee;

(iv) establish lending limits for the Bank's loan committee, including limitations on the aggregate level of credit to any one borrower that can be granted without the prior approval of the Board;

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

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

(vii) prohibit the establishment and use of interest reserves and interest-only structures on all non-construction loans;

(viii) 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;

(ix) prohibit the use of insurance contracts or insurance guarantees as collateral for loans;

(x) establish review and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323, and the *Interagency Appraisal and Evaluation Guidelines*;

(xi) establish an effective real estate appraisal and evaluation program that shall include, at a minimum, the following:

a. an approved appraiser list for selecting an appraiser for a particular assignment and limits the engagement of a single appraiser;

b. periodic monitoring of the appraiser's performance and credentials; and

c. periodic internal review of the use of the approved appraiser list to confirm that appropriate procedures and controls exist to ensure independence in the development, administration, and maintenance of the list.

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

7. (a) Within 45 days from the effective date of this AMENDED ORDER, the Board shall establish a 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 State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, 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.

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall develop and submit for review as described in subparagraph (d), 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 Consolidated Reports of Condition and Income (“Call Report”). 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 Federal Financial Institutions Examination Council's (“FFIEC”) Instructions for the Call Report;

(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 State Supervisory Authority.

(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; and

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

(c) 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).

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

(e) 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 AMENDED ORDER and prior to the Bank's submission of its Call Report. The Bank shall thereafter maintain an appropriate ALLL.

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

PROFIT AND BUDGET PLAN

9. (a) Within 90 days from the effective date of this AMENDED 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 AMENDED 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) an executive compensation plan, addressing any and all salaries, bonuses and other benefits of every kind or nature whatsoever, both current and deferred, whether paid directly or indirectly, which plan incorporates qualitative as well as profitability performance standards for the Bank's senior executive officers;

(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; and

(vi) 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 State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, 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. A copy of the evaluation, including any actions taken, shall be submitted to the Regional Director and the State Supervisory Authority at such times as the Bank submits the progress reports required by this AMENDED ORDER.

STRATEGIC PLAN

10. (a) Within 90 days from the effective date of this AMENDED 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 AMENDED 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 State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, 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 AMENDED ORDER shall be revised 30 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the minutes of the Board meeting. A copy of the revised Strategic Plan shall be submitted to the Regional Director and the State Supervisory Authority. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

INTERNAL ROUTINE AND CONTROLS

11. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall revise and submit for review as described in subparagraph (b), the Bank's internal routine and controls policy ("IRC Policy") for the operation of the Bank in such a manner as to provide adequate internal routines and controls consistent with safe and sound banking practices.

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

LIQUIDITY AND FUNDS MANAGEMENT

12. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall revise its 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) 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;

(iv) identify the source and use of borrowed and/or volatile funds;

(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 defining 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 (i.e., seasonal credit needs, match funding mortgage loans) and provide for reasonable maturities commensurate with the use of the borrowed funds; address concentration of funding sources; and address pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings);

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

(xi) establish written policies and procedures to provide effective guidance and control over the Bank’s investment functions and the Bank’s investment advisors.

(c) The Liquidity and Funds Management Policy shall be submitted to the Regional Director and the State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, 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) Within 30 days from the effective date of this AMENDED ORDER, the Bank shall appoint members to an Asset/Liability Committee ("ALCO"). The ALCO shall take an active role in monitoring the Bank's liquidity and report monthly to the Board concerning the Bank's liquidity.

(e) 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

13. (a) Within 45 days from the effective date of this AMENDED 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;

(ii) a system for identifying and measuring interest rate risk;

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

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

(b) The IRR Policy shall address the exceptions noted in the current Report of Examination, comply with the FFIEC's *Advisory on Interest Rate Risk Management* (FIL-2-2010, issued January 20, 2010), the FFIEC's *Supervisory Policy Statement on Investment Securities and End-User Derivative Activities*, 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 State Supervisory Authority for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the State Supervisory Authority, 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

14. (a) Within 60 days from the effective date of this AMENDED ORDER, the Bank shall develop a written external audit program as well as a system for reporting audit results to the Board. The audit program shall comply with the *Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations* (FIL-96-99, issued October 25, 1999). Changes made by the Board in the Bank's audit program as a result of complying with this paragraph shall be recorded in the applicable Board minutes and forwarded to the Regional Director and the State Supervisory Authority.

(b) The Bank shall provide the Regional Director and the State Supervisory Authority with a copy of all external audit reports, management letters, and qualifications within 15 days of the Bank's receipt of such report(s). The Board shall address all findings of the external audit reports at its next regular meeting after receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the Board meeting with each individual member's vote recorded.

RESTRICTIONS ON TRANSACTIONS WITH THIRD PARTIES

15. (a) The Bank shall not enter into any transactions or loans, directly or indirectly, with First United Mortgage Company Inc., JDN Properties LLC, Joseph D. Natale, or any family members of Joseph D. Natale, or any entity or organization in which Joseph D. Natale has a financial interest, or serves as an officer, director, trustee, or partner, without the prior written approval or non-objection of the Regional Director and the State Supervisory Authority.

(b) The Bank shall not make or agree to make any payment or advances, directly or indirectly, or transfer any asset to, or for the benefit of, Joseph D. Natale, or any family members of Joseph D. Natale, First United Mortgage Company Inc., JDN Properties LLC, or any related interests thereof, without the prior written approval or non-objection of the Regional Director and the State Supervisory Authority.

ETHICS

16. (a) Within 45 days from the effective date of this AMENDED ORDER, the Bank shall formulate and submit for review as described in subparagraph (e) a written ethics policy (“Ethics Policy”) and program (“Ethics Program”).

(b) The Ethics Policy shall state the ethical standards expected of directors, officers, employees, agents and other persons participating in the conduct of the affairs of the Bank ("Covered Individuals"), in the performance of their duties and responsibilities.

(c) The Ethics Program shall establish the definitions, instructions and format to be followed by Covered Individuals in the preparation of comprehensive conflict disclosure statements ("Statements") and any statement of interest required pursuant to N.J.A.C. 3:7-5.2 to be filed for review by an Ethics Counselor and/or Ethics Committee; and require:

(i) initial statements from all existing Covered Individuals;

(ii) initial statements from any person who becomes a new Covered Individual;

(iii) periodic statements from all Covered Individuals; and

(iv) immediate reporting of new conflicts or discovery of previously unreported conflicts.

(d) At a minimum, the Ethics Program shall address the (i) acceptance or payment of referral fees; (ii) indebtedness to the Bank or any other financial institution; (iii) financial interests and obligations that appear to conflict with the Covered Individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the Covered Individual, his spouse, child, partner, or any organization in which the Covered Individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved; (iv) purchase or use of Bank property; (v) provision of goods or services to the Bank; (vi) outside employment and other activities; (vii) receiving of portions of the proceeds of extensions of credit, either directly or indirectly, made by the Bank to third parties; and (viii) establishing procedures for identifying, reviewing and authorizing insider related activities of institution-affiliated parties as that term is defined in section 3(u) of the Act, 12 U.S.C § 1813(u).

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

FORENSIC AUDIT

17. (a) Within 30 days from the effective date of this AMENDED ORDER, the Bank shall retain an independent third party forensic auditor acceptable to the Regional Director and the State Supervisory Authority, who will examine the accounts and lending activities of officers and directors of the Bank, and any transactions involving First United Mortgage Company, Inc. from beginning January 1, 2007 to the effective date of this AMENDED ORDER.

(b) The Bank shall provide the Regional Director and the State Supervisory Authority with a copy of the proposed engagement letter or contract with the independent third party forensic auditor for non-objection or comment before it is executed. Any changes requested to be made in the engagement letter or contract by the Regional Director and the State Supervisory Authority, including but not limited to, the accounts, transactions and lending activities to be examined, shall be made prior to execution by the Bank.

(c) The Forensic Audit shall be completed within 90 days from the effective date of this AMENDED ORDER.

(d) Within 60 days after receipt of the completed Forensic Audit the Bank shall implement and enforce an effective system of internal controls, consistent with the findings of the external Forensic Audit.

(e) The Forensic Audit required by this paragraph shall be submitted to the Regional Director and the State Supervisory Authority for review and comment. Within 30 days of receipt of any comments from the Regional Director and the State Supervisory Authority the Bank shall incorporate any changes required by the Regional Director and the State Supervisory Authority and thereafter adopt, implement, and adhere to the recommendations of the Forensic Audit.

CALL REPORTS

18. Within 45 days from the effective date of this AMENDED ORDER, the Bank shall review its Call Reports filed with the FDIC on or after June 30, 2009, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain an appropriate ALLL. Call Reports filed after the effective date of this AMENDED ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

DIVIDEND RESTRICTION

19. The Bank shall not declare or pay, either directly or indirectly, any dividend without the prior written consent of the Regional Director and the State Supervisory Authority.

CORRECTION OF VIOLATIONS

20. The Bank shall take all steps necessary, consistent with other provisions of this AMENDED ORDER and safe and sound banking practices, to eliminate or correct and prevent

unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies or guidelines cited in the current Report of Examination.

COMPLIANCE COMMITTEE

21. (a) Within 30 days from the effective date of this AMENDED 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, and whose composition is acceptable to the Regional Director and the State Supervisory Authority, with the responsibility of ensuring compliance with the provisions of this AMENDED ORDER.

(b) The Compliance Committee shall monitor compliance with this AMENDED ORDER and submit a written report monthly to the entire Board detailing the form, content, and manner of any action taken to ensure compliance with this AMENDED ORDER. A copy of the report and any discussion related to the report or this AMENDED ORDER shall be part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Regional Director and the State Supervisory Authority as part of the progress reports required by this AMENDED ORDER. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this AMENDED ORDER.

PROGRESS REPORTS

22. Within 30 days from the end of each calendar quarter following the effective date of this AMENDED ORDER, the Bank shall furnish to the Regional Director and the State Supervisory Authority written progress reports detailing the form, content, manner, and results of any actions taken to secure compliance with this AMENDED ORDER. All progress reports and other written

responses to this AMENDED ORDER shall be reviewed by the Board and made a part of the Board minutes.

SHAREHOLDER DISCLOSURE

23. Within 60 days from the effective date of this AMENDED ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this AMENDED ORDER, in conjunction with the Bank's next shareholder communication and in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the AMENDED ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting-Registration, Disclosure and Securities Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the New Jersey Department of Banking and Insurance, 20 West State Street, Trenton, New Jersey 08625 for non-objection or comment at least 30 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the State Supervisory Authority shall be made prior to dissemination of the description, communication, notice, or statement.

OTHER ACTIONS

24. It is expressly understood that if, at any time, the Regional Director and the State Supervisory Authority shall deem it appropriate in fulfilling the responsibilities placed upon him or her under applicable law to undertake any further action affecting the Bank, nothing in this AMENDED ORDER shall in any way inhibit, bar, estop or otherwise prevent him or her from doing so, including, but not limited to, the imposition of civil money penalties. The provisions of this AMENDED ORDER shall not bar, estop, or otherwise prevent 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 AMENDED ORDER shall be effective on the date of issuance.

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

The provisions of this AMENDED 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 15, 2011

By:

/s/_______________________________
John F. Vogel
Deputy Regional Director
Division of Risk Management Supervision
Federal Deposit Insurance Corporation