

**#2012-183**

*Also Terminates OTS Order #SE 10-038*

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

In the Matter of: )  
Home Federal Bank of Hollywood )  
Hallandale Beach, Florida )

AA-EC-12-108

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his Examiner, has supervisory authority over Home Federal Bank of Hollywood, Hallandale Beach, Florida (“Bank”).

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,” dated July 27, 2012, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

**ARTICLE I**

**COMPLIANCE COMMITTEE**

(1) Within fifteen (15) days of the date of this Order, the Board shall appoint a Compliance Committee of at least four (4) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the

membership, the name of any new member shall be submitted in writing to the Director. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the date of this Order and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Director within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision  
Comptroller of the Currency  
250 E Street, S.W.  
Mail Stop 2-7  
Washington, DC 20219

*with a copy to:*  
Assistant Deputy Comptroller  
Miami Field Office  
9800 NW 41<sup>st</sup> Street, Suite 120  
Doral, FL 33178-2979

## ARTICLE II

### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by December 31, 2012 and thereafter maintain the following capital ratios as defined in 12 C.F.R. Parts 165 and 167:

- (a) Total risk-based capital ratio at least equal to thirteen percent (13%);

(b) Tier 1 capital to adjusted total assets ratio at least equal to nine percent (9%).

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv).<sup>1</sup>

(3) Within sixty (60) days of the date of this Order, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently if requested by the Director in writing.

(4) Within sixty (60) days of the date of this Order, the Board shall forward to the Director for his review, pursuant to paragraph seven (7) of this Article, a written Capital Plan for the Bank, covering at least a two-year period. Except as provided in paragraph five (5) of this Article, the written Capital Plan shall, at a minimum:

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<sup>1</sup> The Bank may not solicit, accept, renew, or roll over any brokered deposit (as defined in 12 C.F.R. § 337.6(a)(2) ) except in compliance with the applicable restrictions of 12 U.S.C. § 1831f and 12 C.F.R. § 337.6.

- (a) include specific plans for the maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;
- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction;
- (d) identify and establish a strategy to strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
- (e) include detailed quarterly financial projections; and
- (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's capital.

(5) If the Bank's written Capital Plan outlines a sale or merger of the Bank, the written Capital Plan shall only address the steps that will be taken and the associated timeline to ensure that within ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the written Capital Plan, a definitive agreement for the sale or merger is executed.

- (6) The Bank may declare or pay a dividend or make a capital distribution only:
  - (a) when the Bank is in compliance with its approved written Capital Plan and would remain in compliance with its approved written Capital Plan immediately following the declaration or payment of any dividend or the capital distribution; and

(b) following the approval of the Director pursuant to 12 C.F.R. Part 163, subpart E.

(7) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually and more frequently if required by the Director in writing. Revisions to the Bank's written Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

(8) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the written Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board will require the Bank to take to address any deficiencies. At least quarterly the Board shall prepare a written evaluation of the Bank's performance against the written Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any deficiencies. The Board's monthly reviews and preparation of the quarterly written evaluations shall be documented in the Board meeting minutes. The Board shall retain a copy of these monthly reviews and Board meeting minutes and shall forward a

copy of these quarterly written evaluations and Board meeting minutes to the Director within ten (10) days of completion of its quarterly written evaluations.

(9) If the Bank fails to maintain capital ratios required by paragraph one (1) of this Article, or fails to develop or implement a written Capital Plan to which the Director has provided a written determination of no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 165. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank's capital to the minimum ratios required by paragraph one (1) of this Article, and any other action deemed necessary by the OCC to address the Bank's capital deficiency or the safety and soundness of its operations.

### ARTICLE III

#### BUDGET/BUSINESS PLAN

(1) Within sixty (60) days of the date of this Order, the Board shall forward to the Director for his review, pursuant to paragraph two (2) of this Article, a written three-year business plan that shall include a projection of major balance sheet and income statement components, and shall provide for injections of equity capital, as necessary, consistent with the Capital Plan required by Article II. The business plan shall also include a written profit plan and a detailed budget. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, contemplated strategies, and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments that the Bank intends to

promote or develop. Procedures shall also be established to monitor the Bank's actual results against these projections and to provide for appropriate adjustments to the budget and profit plan. The plan shall set forth specific time frames for the accomplishment of these objectives.

(2) Prior to adoption by the Board, a copy of the Bank's written Business Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Business Plan at least annually and more frequently if required by the Director in writing. Revisions to the Bank's written Business Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the written Business Plan and any amendments or revisions thereto.

(3) Until the Business Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Consent Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least 30 days in advance of the significant deviation, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls,

and written policies and procedures to indentify, measure, monitor, and control the risks associated with the change.

#### ARTICLE IV

##### CREDIT RISK

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank.

The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting, particularly in the commercial real estate portfolio;
- (b) procedures to strengthen management of lending operations and to maintain an adequate, qualified staff in all lending functional areas;
- (c) procedures for strengthening collections; and
- (d) an action plan to control loan growth.

(2) The Board shall submit a copy of the program to the Director.

(3) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Director.

#### ARTICLE V

##### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the July 18, 2011 Report of Examination ("2011 ROE"), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the Examiners during any examination.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent ROE, or by any internal or external loan review, or in any list provided to management by the Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include the ongoing use of Criticized Asset Reports ("CARs") identifying all credit relationships and other assets totaling in aggregate two hundred fifty thousand dollars (\$250,000) or more, criticized as "doubtful," "substandard," or "special mention." The CARs shall be updated monthly and submitted to the Board and Director at least quarterly. Each CAR shall cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan or other asset, and the originating and current handling officer(s);
- (b) an identification of the expected sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable, as well as other necessary documentation to support the current collateral valuation;
- (d) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (e) significant developments, including a discussion of changes since the prior CAR, if any; and
- (f) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding two hundred fifty thousand dollars (\$250,000) shall be forwarded to the Director.

(4) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two hundred fifty thousand dollars (\$250,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) The Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by the Examiners during any examination and whose aggregate loans or other extensions exceed five hundred thousand dollars (\$500,000) unless prior to renewing, extending, or capitalizing additional credit, a majority of the full Board (or designated committee) approves the credit extension and records in writing that each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and documents why the extension promotes the best interests of the Bank; and
- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(6) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

## ARTICLE VI

### LOAN PORTFOLIO MANAGEMENT AND LOAN REVIEW

(1) The Board shall, within ninety (90) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management.

The program shall include, but not be limited to:

- (a) procedures to ensure satisfactory and perfected collateral documentation;
- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (c) procedures to strengthen the independent pre-funding analysis during the underwriting process, that include an analysis and verification of current and complete financial information, particularly for loans originated through brokers;
- (d) procedures to ensure conformance with loan approval requirements;
- (e) a system to track and analyze exceptions;
- (f) procedures to ensure conformance with Call Report instructions;
- (g) procedures to ensure the accuracy of internal management information systems;
- (h) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation

standards, accuracy in credit grading, and other loan administration matters;

- (i) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios; and
- (j) a yearly loan review to be completed by an independent, external auditor.

(2) Upon completion, a copy of the program shall be forwarded to the Director.

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for an initial, one-time independent review of criticized loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends and evaluating Bank methodology regarding the Allowance for Loan and Lease Losses (ALLL). The program shall be performed by an independent, external party and shall require a report to the Board.

(4) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and accurate rating of loans and leases based on lending officer submissions;
- (b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) previously charged-off assets and their recovery potential;
- (d) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;

- (e) adequacy of credit and collateral documentation; and
- (f) concentrations of credit.

(5) Beginning September 30, 2012, on a quarterly basis, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of criticized loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (g) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

## ARTICLE VII

### LIQUIDITY AND CONTINGENCY FUNDING PLAN

(1) On an on-going basis, the Board shall ensure adequate sources of liquidity in relation to the Bank's needs. Liquidity must be maintained at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a comprehensive Bank-specific Contingency Funding Plan consistent with the guidelines set forth the "Liquidity" booklet of the *Comptroller's Handbook* (June 2012). The plan shall, among other things, include:

- (a) a statement of the Board's strategy for maintaining adequate sources of stable funding given the Bank's anticipated liquidity and funding needs;
- (b) a definition of a liquidity crisis for the Bank;
- (c) an identification of early warning liquidity triggers;
- (d) an explicit quantification of the sources and uses of liquidity in stressed scenarios that correspond to the early warning liquidity triggers;
- (e) detailed action plans to identify and obtain sources of liquidity to meet projected shortfalls;
- (f) an identification of responsible bank personnel to declare, manage, and resolve a liquidity crisis;
- (g) an internal and external communication process, including a process for reporting to the Board, for disseminating relevant information; and
- (h) a process of regular testing to ensure that the plan is operationally robust.

(3) Upon adoption, the Board shall forward the Contingency Funding Plan adopted pursuant to this Article to the Director.

(4) Weekly reports shall set forth liquidity requirements and sources. Copies of these reports shall be forwarded to the Director weekly until notified otherwise.

## ARTICLE VIII

### BANK SECRECY ACT INTERNAL CONTROLS

(1) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for compliance with BSA, as amended (31 U.S.C. §§ 5311 et seq.), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. § 163.177, and the rules and regulations of the Office of Foreign Assets Control (“OFAC”) (collectively referred to as the “BSA”) and for the appropriate identification and monitoring of transactions that pose greater than normal risk for compliance with the BSA. This program shall include the following:

- (a) formal evaluation of the knowledge of the Bank’s operational and supervisory personnel of the Bank’s policies and procedures for identifying transactions that pose greater than normal risk for compliance with the BSA;
- (b) enhanced policies and procedures for identifying and monitoring transactions that pose greater than normal risk for compliance with the BSA;
- (c) enhanced policies and procedures for recording, maintaining, and recalling information about transactions that pose greater than normal risk for compliance with the BSA;

- (d) well-defined policies and procedures for investigating and resolving the Bank's response to transactions that have been identified as posing greater than normal risk for compliance with the BSA;
- (e) reasonable procedures for the opening of new accounts that provides for collecting customers' identifying information, verifying customers' identification, maintaining identification records, and determining whether customers appear on any list of suspected terrorists or terrorist organizations;
- (f) adequate controls and procedures to ensure that all suspicious and large currency transactions are identified and reported;
- (g) procedures to appropriately and consistently risk rate deposit accounts and ensure any accounts rated as "high risk" be properly monitored, and information pertaining to those accounts be properly maintained;
- (h) procedures to maintain records on monetary instrument transactions and funds transfers, as required by the BSA;
- (i) procedures to identify and report to appropriate management personnel:
  - (i) frequent or large volume cash deposits or wire transfers or book entry transfers to or from offshore or domestic entities or individuals;
  - (ii) wire transfers or book entry transfers that are deposited into several accounts;
  - (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent *bona fide* business reason;

- (iv) receipt and disbursement of wire transfers or book entry transfers that are suspicious or inconsistent with the customers' business;
- (v) receipt and disbursement of currency or monetary instruments that are suspicious or inconsistent with the customers' business; and
- (vi) accounts opened in the name of or for the benefit of a financial institution or foreign bank, as defined in 31 C.F.R. § 103.11;
- (j) policies and procedures to ensure the completion of an annual risk assessment that provides sufficient coverage of the Bank's operations, products, services, and geographies of operation; and
- (k) a method for introducing new products and services that ensures that the policies and procedures governing new products and services are consistent with the Bank's program for compliance with the BSA.

## ARTICLE IX

### SUSPICIOUS ACTIVITY IDENTIFICATION AND REPORTING

- (1) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for the Bank's monitoring of suspicious cash, monetary instruments, wire transfers, and other activities for all types of transactions, accounts, customers, products, services, and geographic areas. At a minimum, this written program shall establish:
- (a) reviews of cash purchases of monetary instruments;
  - (b) periodic analysis of aggregate cash, monetary instrument, and wire activity;
  - (c) periodic analysis of Currency Transaction Report filings;

- (d) automatic reviews of accounts or customers for which the Bank has received criminal subpoenas that may involve the BSA;
- (e) reviews of high risk transactions, accounts, customers, products, services, and geographic areas; and
- (f) submission of Suspicious Activity Reports (“SARs”) based on these reviews and analyses.

(2) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to provide for the application of appropriate thresholds for monitoring all types of transactions, accounts, customers, products, services, and geographic areas that pose greater than normal risk for compliance with the BSA. At a minimum, this written program shall establish:

- (a) meaningful thresholds for filtering accounts and customers for further monitoring, review, and analyses;
- (b) an analysis of the filtering thresholds established by the Bank; and
- (c) periodic testing and monitoring of thresholds for their appropriateness to the Bank’s customer base, products, services, and geographic area.

(3) Within sixty (60) days of this Order, the Bank shall submit revised policies and procedures for wire monitoring using its existing wire monitoring processes to the Director.

(4) Within one hundred eighty (180) days of this Order, the Bank shall fully install, test, and activate a new wire transaction monitoring system. In implementing the new system, the Bank shall use a satisfactory approach to validating that the system is commensurate with the Bank’s BSA/AML risk. The Bank shall submit to the Director revised policies and procedures for wire monitoring before implementing the new system.

(5) The parameters implemented in the Bank's monitoring systems shall be determined by the BSA Officer or his or her designee. The parameters shall be based upon the risks presented by the originators, beneficiaries, and any counterparties to the transactions, rather than being limited to just the originators or just certain geographies. The Bank shall conduct and document validation (gap) testing to verify that the parameters it establishes for its wire monitoring systems are effective, comprehensive, and commensurate with the Bank's BSA/AML and OFAC risk.

(6) For funds transfer systems other than wire transfers, the Bank shall ensure that these transfer systems are appropriately monitored and subject to AML controls commensurate with the Bank's BSA/AML and OFAC risk.

## ARTICLE X

### BANK SECRECY ACT OFFICER

(1) Within sixty (60) days of the date of this Order, the Board shall hire and maintain a qualified, full-time BSA Officer. The Board shall also determine whether any changes are needed regarding the role of the Bank's BSA Officer, including the responsibilities, authority, structure, or independence of the BSA Officer. In particular, the Board shall ensure that the BSA Officer has sufficient training, authority, resources, and skill to perform his/her assigned responsibilities.

(2) Within sixty (60) days of the date of this Order, the Board shall determine whether any changes are needed regarding the Bank's BSA Officer's supporting staff, including the responsibilities, authority, structure, independence, competencies, or capabilities of the BSA Officer's supporting staff.

## ARTICLE XI

## CUSTOMER DUE DILIGENCE

- (1) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to expanded account-opening procedures for all accounts that pose greater than normal risk for compliance with the BSA by requiring:
- (a) identification of all account owners and beneficial owners in compliance with 31 C.F.R. § 103.121;
  - (b) identification of the officers, directors, major shareholders or partners, as applicable;
  - (c) documentation of the following information for deposit account customers that pose greater than normal risk for compliance with the BSA:
    - (i) any relevant financial information concerning the customer;
    - (ii) the type of business conducted by the customer;
    - (iii) the customer's source of income or wealth; and
    - (iv) any other due diligence required by this Order, the BSA Officer, any Reports of Examination, or the Bank.
- (2) The Bank shall obtain the information required in the preceding paragraph (1) of this Article before renewing or modifying an existing customer's account within the scope of the preceding paragraph (1).
- (3) The Bank shall have a policy for not opening an account, allowing the use of an account while verifying a customer's identity or other risks, closing an account and filing SARs if the Bank does not receive the information required by paragraphs (1) and (2) by the date the information is due or if the Bank is not able to form a reasonable belief that it knows the true identity of a customer.

(4) The BSA Officer or his/her designee shall periodically review, not less than each calendar year, all account documentation for all high risk accounts and the related accounts of those customers at the Bank to determine whether the account activity is consistent with the customer's business and the stated purpose of the account.

(5) The Bank shall not open any account for a customer, and shall close any existing account of a customer, if the information available to the Bank indicates that the customer's relationship with the Bank would be detrimental to the reputation of the Bank.

(6) The term "related accounts," as referenced in this Article, shall be broadly construed and shall include the following accounts:

- (a) all accounts for which there are common signatories, officers, directors, addresses, taxpayer identification numbers, or phone numbers that can be reasonably identified;
- (b) all accounts of a customer's immediate relatives by blood, marriage or adoption (e.g., spouses, children, parents, siblings, uncles, and aunts) that can be reasonably identified;
- (c) all accounts of any corporation, joint enterprise, partnership or any undertaking whatsoever that can be reasonably identified as controlled by or operated substantially in the interest of any Bank customer; "control" includes direct or indirect ownership of ten percent (10%) or more of the stock, capital, or equity of any such undertaking; and "substantial interest" shall mean derivation in any manner of income of ten thousand dollars (\$10,000) or more per annum from the operation of any such undertaking;

- (d) all accounts where the Bank's customer can be reasonably identified as exercising control or authority over the account holder; and
- (e) any account(s) so designated by the Director.

## ARTICLE XII

### NEW PRODUCTS, SERVICES, OR LINES OF BUSINESS

(1) The Bank shall ensure that new products and services are subject to compliance review and approval. These reviews must consider the quantity of BSA/AML and OFAC risk of the new product or service as well as the quality of risk management.

(2) The Bank shall not enter into a new high risk line of business or expand existing high-risk lines of business, without conducting a risk assessment, a determination of compliance staffing impact, and obtaining a written determination of no supervisory objection from the Director.

## ARTICLE XIII

### BANK SECRECY ACT AUDIT

(1) Within thirty (30) days of the date of this Order, the Board, or a designated committee of the Board, shall adopt, implement, and thereafter ensure the Bank undergoes an initial BSA audit from an independent, external auditor.

(2) Within sixty (60) days of the date of this Order, the Board, or a designated committee of the Board, shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program.

(3) The Board, or a designated committee of the Board, shall ensure appropriate oversight of the BSA audit function, with particular emphasis on an adequately staffed

department or outside firm with respect to both the experience level and number of the individuals employed.

(4) The Board, or a designated committee of the Board, shall ensure that the audit program is independent. The persons responsible for implementing the BSA audit program described above shall report directly to the Board, or a designated committee of the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) All audit reports shall be in writing and supported by adequate workpapers, which must be provided to the Board. The Board, or a designated committee of the Board, shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(6) The Board, or a designated committee of the Board, shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. Examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(8) Within sixty (60) days of the date of this Order, the Board, or a designated committee of the Board, shall review and evaluate the level of service and ability of the audit function for BSA matters currently being provided by any auditor, including:

- (a) the Board's expectations of how its auditors can and must assist in ensuring the Bank's compliance with OFAC and the BSA;

(b) an assessment of prior audits and management's response to those audits;  
and

(c) an evaluation of the audit tools, including technology, available.

(9) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Director.

(10) Upon completion of the BSA Audit review, the Board's findings shall be reported to the Director. The Bank shall immediately file SARs, in accordance with 12 C.F.R. § 163.180, for any previously unreported suspicious activity identified during this review.

#### ARTICLE XIV

##### BANK SECRECY ACT TRAINING

(1) Within sixty (60) days of the date of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of their responsibility for compliance with the requirements of the OFAC and the BSA, including the reporting requirements associated with SARs pursuant to 12 C.F.R. §163.180, Subpart B, regardless of the size of the relationship or type of customer involved. This comprehensive training program shall include strategies for mandatory attendance, the frequency of training, procedures and timing for updating training programs and materials, and the method for delivering training.

#### ARTICLE XV

##### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any

subsequent ROE. The quarterly progress reports required by Article I of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Director.

## ARTICLE XVI

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United

States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. If the Bank requires suspension or waiver of any provision or an extension of any timeframe within this Consent Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support a suspension or waiver of any provision or an extension of a timeframe within this Consent Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

(6) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(7) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(8) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

(9) The Bank entered into a Consent Order dated July 30, 2010 (“2010 Order”). This Order replaces the 2010 Order in its entirety and, therefore, the 2010 Order is terminated. Provided however, no provision in this Consent Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its IAPs for any failure to comply with the 2010 Order while it was effective.

IT IS SO ORDERED, this 27th day of July, 2012.

/s/

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Michael R. Brickman  
Director for Special Supervision

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

In the Matter of: )  
Home Federal Bank of Hollywood )  
Hallandale Beach, Florida )

AA-EC-12-108

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Home Federal Bank of Hollywood, Hallandale Beach, Florida (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe and unsound banking practices relating to capital, asset quality, earnings, and management, for violation of law including violations of the Bank Secrecy Act (12 C.F.R. §163.77), and for failure to comply with the Cease and Desist Order dated July 30, 2010; and

**WHEREAS**, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 27, 2012 (“Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order;

**NOW THEREFORE**, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a “savings association” within the meaning of 12 U.S.C. §§ 1462(4) and 1813(b). Accordingly, the Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1813(c).

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

## ARTICLE II

### Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

## ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
  - (b) any and all procedural rights available in connection with the issuance of the Order;
  - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19;
  - (d) all rights to seek any type of administrative or judicial review of the Order;  
and
  - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/  
\_\_\_\_\_  
Michael R. Brickman  
Director for Special Supervision

July 27, 2012  
\_\_\_\_\_  
Date

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IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/  
\_\_\_\_\_  
Eibi Aizenstat

8/6/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Brian Cole

7/27/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Laurence Diskin

7/27/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
M. William Joel

7/27/12  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Guy Lazzeri

7/27/2012  
\_\_\_\_\_  
Date

/s/  
\_\_\_\_\_  
Kenneth R. Lehman

7/27/2012  
\_\_\_\_\_  
Date

\_\_\_\_\_  
David Malinoff

\_\_\_\_\_  
Date