

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

FIRST VIRGIN ISLANDS FEDERAL)
SAVINGS BANK)

CHARLOTTE AMALIE)
ST. THOMAS, VIRGIN ISLANDS)

Resolution No.: ATL-92-29

Date: March 27, 1992

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Southeast Region, and First Virgin Islands Federal Savings Bank, Charlotte Amalie, St. Thomas, Virgin Islands, OTS No. 8449 ("FVI" or "Institution"), stipulate and agree as follows:

1. Consideration. The OTS, based upon information derived from the exercise of its supervisory and regulatory powers, is of the opinion that grounds exist to initiate administrative cease and desist proceedings against FVI pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989), and further believes that such grounds include violations of regulations and of the October 5, 1990 Supervisory Agreement between FVI and OTS ("Supervisory Agreement"), as well as unsafe and unsound practices in conducting the business of the Institution, as follows:
 - a. The Institution has engaged in violations of regulations applicable to loans to affiliated persons, specifically 12 C.F.R. § 563.43 and 12 C.F.R. 563.170(c)(1) and (2).
 - b. The Institution has engaged in unsafe or unsound practices in direct contravention of OTS policy, as outlined at 12 C.F.R. § 571.7, by engaging in transactions with affiliated persons that have the appearance of conflicts of interests.
 - c. The Institution has violated 12 C.F.R. § 563.93 by granting a series of loans to related entities in excess of the regulatory lending limits.

- d. For the quarters ended March 31, 1991, and June 30, 1991, the Institution violated the growth restrictions of the Supervisory Agreement by increasing its total assets in excess of the permissible maximum -- total net interest credited to deposits, disbursed loans-in-process obligations, and funded legally binding commitments.
- e. The Institution has violated 12 C.F.R. § 563.160 by not properly classifying its assets.
- f. FVI is exposed to a high degree of credit risk and capital risk due to the increasing level of nonperforming assets. Specifically, for the 12 month period ended December 31, 1991, loans more than 30 days delinquent have increased by \$2.01 million and currently represent approximately 193 percent of total capital and 13.07 percent of total assets.

FVI desires to cooperate with the OTS and to avoid the time and expense of such administrative cease and desist proceedings and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease and desist proceedings against FVI with respect to the matters referred to in the accompanying Order to Cease and Desist ("Order"), for so long as the Institution is in full compliance with all of the provisions of the Order.

2. Jurisdiction.

(a) FVI is a "savings association" within the meaning of Section 3(b)(1) of the FDIA, 12 U.S.C. § 1813(b)(1). The Institution is an "insured depository institution" as that term is defined in Section 3(c)(2) of the FDIA, 12 U.S.C. § 1813(c)(2).

(b) Pursuant to Section 8(b)(1) of the FDIA, 12 U.S.C. § 1818(b)(1), the appropriate Federal banking agency may issue a cease and desist order against any insured depository institution that engages in unsafe and unsound practices in conducting its business and/or violates a rule or regulation.

(c) Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. § 1813(q)(4), the Director of the OTS is the "appropriate Federal banking agency" in the case of any savings association. Therefore, FVI is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to Section 8(b) of the FDIA, 12 U.S.C. § 1818(b).

Page 3 of 4

3. Consent. FVI consents to the issuance by the OTS of the accompanying Order. The Institution further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the OTS Regional Director for the Southeast Region, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, 12 U.S.C. § 1818(i).

5. Waivers. FVI waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Southeast Region, and FVI by a majority of its directors, execute this Stipulation and Consent to Issuance of an Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

FIRST VIRGIN ISLANDS FEDERAL SAVINGS BANK, By a majority of its directors:

By: John E. Ryan
Regional Director
Southeast Region
Office of Thrift Supervision

/S/

/S/

/S/

/S/

First VI, FSB, Charlotte Amalie, VI (20443)
C&D Stipulation (2/92)
Page 3 of 4

3. Consent. FVI consents to the issuance by the OTS of the accompanying Order. The Institution further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. § 1818(b). Upon its issuance by the OTS Regional Director for the Southeast Region, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(a) of the FDIA, 12 U.S.C. § 1818(a).

5. Waiver. FVI waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C. § 1818(b), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Southeast Region, and FVI by a majority of its directors, execute this Stipulation and Consent to issuance of an Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

FIRST VIRGIN ISLANDS FEDERAL
SAVINGS BANK, by a majority
of its directors.

/S/

By: John E. Ryan
Regional Director
Southeast Region
Office of Thrift Supervision

/S/

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

FIRST VIRGIN ISLANDS)
FEDERAL SAVINGS BANK)

CHARLOTTE AMALIE)
ST. THOMAS, VIRGIN ISLANDS)

Resolution No.: ATL-92-29

Date: March 27, 1992

ORDER TO CEASE AND DESIST

WHEREAS, First Virgin Islands Federal Savings Bank, Charlotte Amalie, St. Thomas, Virgin Islands, OTS No. 8449 ("FVI" or "Institution"), through its directors, has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist ("Stipulation"), which is incorporated herein by reference and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Southeast Region ("Regional Director"); and

WHEREAS, FVI, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(b) (1988 & Supp. I 1989);

NOW THEREFORE, IT IS ORDERED that FVI and its directors, officers, employees, agents, subsidiaries and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of, and from any noncompliance with, or the aiding and abetting of any noncompliance with:

1. 12 C.F.R. § 563.160.

IT IS FURTHER ORDERED that:

TRANSACTIONS WITH DIRECTORS, OFFICERS, AND EMPLOYEES

2. The Institution shall fully comply with the provisions of 12 C.F.R. § 563.43 and Section 22(h) of the Federal Reserve Act, 12 U.S.C. § 375b with respect to all loans granted to affiliated persons.

3. The Institution shall comply with the provisions of 12 C.F.R. § 563.170(c)(1) and (2).
4. FVI shall not extend any credit to directors and executive officers, as those persons are defined in 12 C.F.R. § 215.2(c) and (d), or any related interest of such persons, as defined in 12 C.F.R. § 215.2(k), or any affiliated person of FVI, as defined in 12 C.F.R. § 561.5, unless and until such extension of credit has been approved in writing by the entire Board of Directors with full disclosure from any interested party and any interested party abstaining from participating directly or indirectly in the discussion (other than to make the above-required full disclosure) or voting.
5. Within 60 days of the effective date of this Order, the Board of Directors shall develop, adopt and implement written policies and procedures governing all loans to directors, officers and employees. Such policies shall require that loans to directors, officers and employees do not involve more than the normal risk of collectibility, fully comply with the documentation and underwriting requirements of 12 C.F.R. § 563.170(c)(1) and (2), and meet all applicable regulatory requirements as now or hereinafter in effect.
6. Within 60 days of the effective date of this Order, the Board of Directors shall review all loans to directors, officers, and employees that were criticized in the OTS August 26, 1991 Report of Examination of FVI, and shall use its best efforts to take all necessary action to correct noted criticisms. Such review and action shall be documented in the minutes of the board meeting(s) at which the loans are reviewed.
7. Within 60 days of the effective date of this Order, the Board of Directors shall develop, adopt and thereafter fully adhere to specific written policies and procedures designed to ensure compliance with the rules, regulations and OTS policy statements pertaining to transactions with affiliates and the avoidance of conflicts of interests. The Institution's policies shall establish procedures for dealing with management officials and directors who violate such policies. These policies shall be reviewed and approved by the Board on an annual basis.
8. FVI, its directors, officers, employees, and affiliates shall comply in all respects with the provisions of Section 11 of the Home Owners' Loan Act, 12 U.S.C. § 1468 (Supp. I 1989), the OTS Statement of Policy at 12 C.F.R. § 571.7, and all other applicable laws, regulations and policies, as now or hereinafter in effect, pertaining to transactions with affiliates and the avoidance of conflicts of interest in conducting the business of the

Institution and governing transactions with affiliates.

ASSET QUALITY AND CLASSIFICATION

9. Within 60 days of the effective date of this Order, the Board of Directors shall develop, adopt and thereafter fully adhere to a written plan to reduce the level of loans more than 30 days delinquent, adversely classified assets and Special Mention assets ("criticized assets"). The Board of Directors shall periodically review the plan and may modify it if necessary. The plan shall include specific targets and time frames for the reduction of the level of criticized assets. The plan also shall include separate action plans that detail the efforts to be taken to minimize the risk of loss on any criticized asset with a book value in excess of \$200,000. The Board of Directors shall review management's progress in meeting the targets of the plan at least quarterly.
10. Within 60 days of the effective date of this Order, the Board of Directors shall develop, adopt and thereafter fully adhere to a written asset classification policy that provides for compliance with the provisions of 12 C.F.R. § 563.160 and the OTS Statement of Policy at 12 C.F.R. § 571.26. The Institution's policy shall incorporate factors and considerations set forth in Section 260 of the OTS Regulatory Handbook on Thrift Activities. Specifically, such policy shall include the following provisions:
 - a. All loans that are 90 days or more contractually delinquent that either are for consumer purposes or are secured by single family, owner occupied dwellings shall be classified at least Substandard;
 - b. All loans that are 60 days or more contractually delinquent that either are for commercial purposes or are secured by mortgages on non-single family and/or non-owner occupied properties shall be classified at least Substandard; and
 - c. Closed-end consumer installment credit 120 days or more delinquent shall be classified Loss, and open-end consumer installment credit 180 days or more delinquent shall be classified Loss.
11. Within 60 days of the effective date of this Order, the Board of Directors shall review all asset classification deficiencies disclosed in the OTS August 26, 1991 Report of Examination of FVI, and shall take all necessary action to correct the noted deficiencies. Such review and action shall be documented in the minutes of the board meeting(s) at which the classification deficiencies are reviewed.

12. Assets will be classified in a timely manner and in accordance with FVI's written asset classification policy as approved and adopted by the Board of Directors pursuant to Paragraph 10 of this Order.

LOANS TO ONE BORROWER

13. The Institution shall fully comply with the loans to one borrower lending limitations of 12 C.F.R. § 563.93.

GROWTH LIMITATIONS

14. (a) Growth Restriction - Without the prior written approval of the Regional Director, FVI shall not increase its total assets in any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter. However, the Institution may fund outstanding loans in process obligations and legally binding commitments, in existence as of October 5, 1990, that require disbursements during the quarter in excess of the amount equal to net interest credited on deposit liabilities.

(b) Growth Exception - Notwithstanding the Growth Restriction of Paragraph 14(a) of this Order, total assets may increase beyond the aforementioned restriction, in an amount not to exceed \$1.5 million at the end of each calendar quarter, provided: (i) such increase is attributable to loans secured by 1-4 family residential real estate, (ii) such loans have been closed and delivered for sale to the appropriate purchasing entity, (iii) prior to delivery to the purchasing entity, such loans have been designated on FVI's books, and accounted for, as held for sale in the secondary market, (iv) payment for such loans has been received by FVI no later than 45 days after the end of any calendar quarter, except for government insured or guaranteed insured or guaranteed loans (e.g., FHA, VA, Farmers' Home Administration), which must be received no later than 80 days after the end of any calendar quarter. Provided further that the Regional Director may revoke the Growth Exception contained in this Paragraph 14(b) if, in his sole discretion, it is determined that the Institution has not exercised this privilege in good faith. The determination that FVI has not exercised this privilege in good faith may be based

on excessive reliance on the Growth Exception in order to avoid compliance with the Growth Restriction contained in Paragraph 14(a) of this Order, violation of the Growth Limitations of this Paragraph 14 (a) and (b), and/or violations of any of the terms and conditions of the Growth Exception contained in this Paragraph 14(b). Any revocation of the Growth Exception by the Regional Director will be applied prospectively and not retroactively in determining any violation of the terms and conditions of the Growth Restriction.

(c) The Institution shall maintain documentation supporting its compliance with the provisions of this Paragraph 14.

MISCELLANEOUS

15. Without the prior written approval of the Regional Director, the Institution shall not pay any dividends or make any capital distributions.
16. The Institution shall fully comply with the requirements of OTS policy regarding executive compensation and employment agreements as outlined in OTS Regulatory Bulletin 27, dated November 8, 1991.
17. The Institution shall fully comply with the requirements of OTS policy regarding regulatory review of certain third party contracts as outlined in OTS Thrift Bulletin 50, dated November 19, 1991.
18. The Institution shall not issue or authorize any new credit card lines of credit, nor shall it increase any existing lines of credit for any existing, pre-approved credit cards, without the prior approval of the Regional Director.
19. Notwithstanding FVI's current minimum risk-based capital requirement, as set forth at 12 C.F.R. § 567.2(b), beginning as of the effective date of this Order, the Institution shall be subject to the fully phased-in, risk-based capital requirement, as set forth at 12 C.F.R. § 567.2.

First VI FSB, Charlotte Amalie, VI (#8449)
C&D Order (3/92)
Page 6 of 6

20. As of the effective date of this Order, the outstanding Supervisory Agreement between FVI and the OTS, dated October 5, 1990, shall be terminated.

THE OFFICE OF THRIFT SUPERVISION

By: /S/
John E. Ryan
Regional Director
Southeast Region
Office of Thrift Supervision