

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

IN THE MATTER OF:

Plymouth Federal Savings Bank
Plymouth, Massachusetts

OTS No. 03487

Re: Resolution No. Bos. 90-12
Date: October 22, 1990

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through
its District Director for the Boston District Office
("District Director"), and Plymouth Federal Savings Bank,
Plymouth, Massachusetts ("Plymouth" or the "Institution")
stipulate and agree as follows:

I. CONSIDERATION

The OTS, based upon information reported to it, is of
the opinion that grounds exist to initiate an administrative
cease and desist proceeding against Plymouth pursuant to
Section 8(b) of the Federal Deposit Insurance Act ("FDIA"),
12 U.S.C. 1818(b), as amended by Section 902(a) of the
Financial Institutions Reform, Recovery, and Enforcement Act
of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA").
Plymouth desires to cooperate with the OTS and to avoid the
time and expense of such administrative proceedings or
litigation and, solely for the purpose for this proceeding,

without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration or the forbearance by the OTS from initiating such administrative cease and desist proceedings or litigation against Plymouth with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

II. JURISDICTION

Plymouth is a "savings association" within the meaning of Section 3(b) of the FDIA, 12 U.S.C. 1813(b) and Section 2(4) of the Home Owners' Loan Act, 12 U.S.C. 1462(4), as amended by Sections 204(b) and 301, respectively, of the FIRREA. Accordingly, it 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), as amended by Section 204(c) of the FIRREA. Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. 1813(q)(4), as amended by Section 204(f) of the FIRREA, the Director of OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Plymouth 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), as amended by Section 902(a) of the FIRREA.

III. CONSENT

Plymouth consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies

with all requirements of law.

IV. FINALITY

The Order is issued under Section 8(b) of the FDIA, 12 U.S.C. 1818(b), as amended by Section 902(a) of the FIRREA. Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under Section 8(i) of the FDIA, U.S.C. 1818(i), as amended by Section 907 of the FIRREA.

V. WAIVERS

Plymouth 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), as amended by Section 902(a) of the FIRREA, and further waives any right to seek judicial review of the Order, including any such right provided in Section 8(h) of the FDIA, 12 U.S.C. 1818(h), as amended by Section 920(a) of the FIRREA, or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS,
and Plymouth, by a majority of its board of directors,
execute this Stipulation and Consent to Issuance of Order to
Cease and Desist.

OFFICE OF THRIFT SUPERVISION

By:

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~~Ralph W. Gidley~~
~~District Director~~
~~Boston District Office~~

PLYMOUTH FEDERAL
SAVINGS BANK
By a majority of its
Board of Directors.

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OTS No. 03487

Re: Resolution No. Bos. 90-12
Date: October 22, 1990

ORDER TO CEASE AND DESIST

WHEREAS, Plymouth Federal Savings Bank, Plymouth, Massachusetts (the "Savings Bank"), through its directors, solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practice or violations of law and/or regulations, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision acting through its District Director for the Boston District Office ("District Director"); and

WHEREAS, the Savings Bank, 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, 12 U.S.C. 1818(b) ("FDIA"), as amended by Section 902(a) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, 103

Stat. 183 ("FIRREA");

NOW THEREFORE, IT IS ORDERED that the Savings Bank and its directors, officers, employees, agents, successors, assigns and other persons participating in the conduct of the affairs of the Savings Bank, and its service corporations, shall cease and desist from engaging in any of the following unsafe and unsound banking practices and from aiding and abetting the same:

- (a) engaging in unsafe and unsound lending and loan administration practices described in the Federal Deposit Insurance Corporation ("FDIC") Report of Examination of the Savings Bank as of March 30, 1990 ("ROE");
- (b) operating with an inadequate allowance for loan losses for the kind and quality of assets held;
- (c) originating loans with deficient or inadequate loan documentation, including, but not limited to, the documentation required by 12 C.F.R. 563.170; and
- (d) failing to adequately supervise the affairs of the Savings Bank to prevent violations of laws or regulations or unsafe or unsound practices, including failure by directors to meet the responsibilities delineated in OTS Memorandum R-62.

IT IS FURTHER ORDERED THAT the Savings Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of the affairs of the Savings Bank, take affirmative action as follows:

I. MANAGEMENT

A. Within sixty (60) days from the effective date of this Order, the Board of Directors shall develop and submit to the District Director a written analysis and assessment of the Savings Bank's management and staffing needs which is acceptable to the District Director ("Management Plan"), and which shall include, at a minimum:

1. identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Savings Bank;

2. identification and establishment of Savings Bank committees needed to provide guidance and oversight to active management;

3. evaluation of each Savings Bank officer and senior staff member to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Savings Bank's established policies and practices, and maintenance of the Savings Bank in a safe and sound condition;

4. a plan of action to recruit and hire any additional or replacement personnel with the ability, experience and other qualifications, which the Board of Directors determines are necessary to fill Savings Bank officer and senior staff member positions;

5. a review and revision of the existing Code of Ethics Policy covering all directors, officers and employees

governing conflict of interest and corporate opportunity. The policy shall require compliance with the provisions of 12 C.F.R. 563.41 and 563.43, as interpreted and clarified by the OTS policy statement regarding conflicts of interest, 12 C.F.R. 571.7, as well as Sections 22(h), 23A and 23B of the Federal Reserve Act, 12 U.S.C. 375b, 371c and 371c-1; and

6. a requirement that the Board of Directors (or a committee thereof consisting of not less than a majority of Board Members who are independent of the Savings Bank) provide supervision over the lending, investment and operating policies of the Savings Bank sufficient to ensure that the Savings Bank complies with the terms of this Order.

B. The Board of Directors shall approve the written Management Plan, and such approval shall be recorded in the minutes of the Board of Directors. Any modification shall become effective when approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Board shall notify the District Director of all approved material modifications. The Savings Bank, its directors, officers and employees shall implement and follow the written Management Plan and/or any subsequent modification thereto.

C. The Savings Bank's Board of Directors shall meet at least monthly. The Board shall prepare in advance and shall follow a detailed written agenda at each meeting, which shall include consideration of actions of any committees. Nothing in the foregoing sentence shall preclude the Board from

considering matters other than those contained in the agenda. Detailed written minutes of all Board meetings shall be maintained and recorded on a timely basis.

II. CHARGE-OFF (LOSS AND DOUBTFUL CLASSIFICATIONS)

A. Within ten (10) days from the effective date of this Order, the Savings Bank: (1) shall eliminate from its books, by charge-off, collection, or other proper entries, all assets or portions of assets classified "Loss" in the March 30, 1990 ROE; and (2) shall either (a) eliminate from its books by charge-off, collection, or other proper entries, or (b) if the asset is an extension of credit or lease, increase its allowance for loan and lease losses by an amount equal to, fifty (50.0) percent of those assets or portions of assets classified "Doubtful" in the March 30, 1990 ROE, which have not been previously collected, charged off, or otherwise eliminated by other proper entries. Reduction of these assets through use of proceeds of loans made by the Savings Bank does not constitute "collection" or "elimination" for the purpose of this paragraph, provided that the foregoing shall not apply to loans made by the Savings Bank in compliance with the terms of its lending policy at market terms and rates and with 20% cash downpayment not provided directly or indirectly by the Savings Bank to finance bona fide purchases of property previously mortgaged to the Savings Bank by third parties not related to or affiliated with the selling borrower.

III. REDUCTION OF DOUBTFUL AND SUBSTANDARD CLASSIFICATIONS

A. Within sixty (60) days from the effective date of this Order, the Board of Directors shall develop and adopt a written plan of action to lessen the Savings Bank's risk position in each line of credit aggregating \$250,000 or more which was classified "Substandard" or "Doubtful" in the March 30, 1990 ROE. Within ten (10) days thereafter, a copy shall be provided to the District Director. In developing such plan, the Savings Bank shall, at a minimum:

1. review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

2. evaluate the available collateral for each such credit, including possible actions to improve the Savings Bank's collateral position.

Based upon such review and evaluation, the written plan of action shall: (a) establish target dollar levels of "Substandard" and "Doubtful" classifications that the Savings Bank shall exert its best efforts to achieve within six (6) to twelve (12) months from the effective date of this Order; and (b) provide for the submission of written monthly progress reports to the Savings Bank's Board of Directors for review and notation in the Board minutes. As used in this Paragraph III, "reduce" means to (1) collect, (2) charge off, or (3) improve the quality of such assets so as to warrant removal from adverse classification. Payment of loans with the proceeds of other loans made by the Savings Bank will not

constitute "reduction" or "collection" for purposes of this Order, provided that the foregoing shall not apply to loans made by the Savings Bank in compliance with the terms of its lending policy at market terms and rates and with a 20% cash downpayment not provided directly or indirectly by the Savings Bank to finance bona fide purchases of property previously mortgaged to the Savings Bank by third parties not related to or affiliated with the selling borrower.

B. The Board of Directors shall approve the plan and such approval shall be recorded in the minutes of the Board of Directors. No modification to the plan shall become effective until approved by the Board of Directors, and such approval shall also be recorded in the minutes of the Board of Directors. The Savings Bank, its directors, officers and employees shall follow the written plan of action and/or any subsequent modification. All material modifications shall be submitted to the District Director with each quarterly report required by Paragraph VIII of this Order.

IV. LENDING TO BORROWERS WITH ADVERSELY CLASSIFIED LOANS

A. The Savings Bank shall not knowingly extend, directly or indirectly, credit to, or for the benefit of, any borrower who has a loan or other extension of credit with the Savings Bank that has been charged off or classified, in whole or in part, "Loss," "Doubtful," or "Substandard," and is uncollected, unless a majority of the Savings Bank's Board of Directors first (1) determines that such advance is in the best interest of the Savings Bank, (2) determines that the

Savings Bank has satisfied the requirements set out in Paragraph III of this Order as to such borrower, and (3) gives approval for such advance individually or by approving a schedule or project budget with which the advance is consistent. A written record of the Board of Directors' determination and approval of any advance under the terms of this Paragraph IV shall be maintained in the credit file of the affected borrower(s) as well as the minutes of the Board of Directors. The requirements of this Paragraph IV do not prohibit the Savings Bank from renewing any credit already extended to a borrower.

V. LENDING POLICY

A. Within sixty (60) days from the effective date of this Order, the Savings Bank shall revise its written loan policy to include, at a minimum:

1. the lending authority of loan officers;
2. the lending authority of a loan or executive committee, if any;
3. the responsibility of the Board of Directors in reviewing, ratifying and approving loans;
4. the guidelines under which unsecured loans will be granted;
5. the guidelines for rates of interest and terms of repayment for unsecured loans and secured loans;
6. with regard to secured loans: (a) limitations on the amount advanced in relation to the value of the collateral, and (b) the documentation required by the Savings

Bank for each type of secured loan;

7. the maintenance and review of complete and current credit files on each borrower;

8. specific collection procedures, including, but not limited to, the actions to be taken against borrowers who fail to make timely payments;

9. limitations on extensions of credit through overdrafts and cash items;

10. the determination and documentation of sources and terms of loan repayment;

11. retention of lien searches and appraisals covering personal property and liens on real estate;

12. maintenance of written, individual loan file comments by officers;

13. provisions addressing the capitalization of accrued and unpaid interest on loans;

14. procedures for designating non-accrual loans;

15. procedures for identifying, supervising, and collecting problem loans; and

16. periodic review of the overdue, problem and/or adversely classified or special mention loans by the Board of Directors, to monitor management's administration of such distressed credits, and to provide guidance.

B. The Board of Directors shall approve the revised written loan policy, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent material modifications to the revised written loan policy require

notification to the District Director. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Savings Bank, its directors, officers and employees shall follow the revised written loan policy and/or any subsequent modification thereto.

VI. BUSINESS PLAN

A. Within sixty (60) days from the effective date of this Order, the Savings Bank shall develop a written business plan acceptable to the District Director consisting of goals and strategies for improving the earnings of the Savings Bank, which written business plan shall include, at a minimum:

1. identification of the major areas in, and means by which the Board of Directors will seek to improve the Savings Bank's operating performance;

2. realistic and comprehensive budgets;

3. a budget review process to monitor the income and expenses of the Savings Bank and to compare actual figures with budgetary projections; and

4. a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

B. The Board of Directors shall approve the written business plan, and such approval shall be recorded in the minutes of the Board of Directors. Subsequent written modifications to the written business plan require

notification to the District Director. No such modification shall become effective until approved by the Board of Directors, and such approval shall be recorded in the minutes of the Board of Directors. The Savings Bank, its directors, officers, and employees shall follow the written business plan and/or any subsequent modification thereto.

VII. CORRECTION OF TECHNICAL EXCEPTIONS AND CONCENTRATIONS

A. Within sixty (60) days from the effective date of this Order, the Savings Bank shall take steps designed to correct the technical exceptions on loans noted beginning on Page 2-d of the ROE.

B. Within sixty (60) days from the effective date of this Order, the Savings Bank shall formulate and implement a plan to reduce each concentration of credit as noted on page 2-b of the ROE to less than fifteen (15.0) percent of unimpaired capital and unimpaired surplus, as defined under 12 C.F.R. 3.100.

C. Within sixty (60) days from the effective date of this Order, the Savings Bank shall take steps designed to correct the cited deficiencies in the loans listed for "Special Mention" beginning on Page 2-c of the ROE.

VIII. PROGRESS REPORTS

Within thirty (30) days from the effective date of this Order, and, thereafter, within thirty (30) days from the end of each calendar quarter, the Savings Bank shall furnish written status reports to the District Director with a courtesy copy to the Regional Director of the Federal Deposit

Insurance Corporation (the "Regional Director") detailing any action which has been taken to secure compliance with this Order and the results thereof. In addition, the Savings Bank shall furnish such reports on request of either the District Director or the Regional Director. All status reports and other written responses to this Order shall be reviewed by the Board of Directors of the Savings Bank and made a part of the minutes of the Board meeting.

IX. EFFECTIVE DATE AND EFFECT OF ORDER

A. This Order shall become effective on the date set forth below.

B. Nothing in this Order shall be construed to permit any transactions in violation of Section 11 of the Home Owners' Loan Act as amended by Section 301 of the FIRREA, 12 U.S.C. 1468 (1989) or the regulations promulgated thereunder.

C. The provisions of this Order shall remain effective and enforceable except to the extent that and until such time as any provisions of this Order shall have been modified, terminated, suspended, or set aside by the District Director.

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Ralph W. Gridley
District Director