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UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In The Matter Of: NUMERICA SAVINGS BANK, FSB Manchester, New Hampshire OTS No. 07396	Re: Resolution No. Bos. 90-17 Date: December 27, 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 Numerica Savings Bank, FSB, Manchester, New Hampshire ("Numerica" 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 Numerica pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. 1818(b). Numerica desires to cooperate with the OTS and to avoid the time and expense of such administrative proceedings or litigation 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 or litigation against Numerica with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

II. Jurisdiction

Numerica is a "federal savings association" within the meaning of Section 2(5) of the Home Owners' Loan Act, 12 U.S.C. 1462(5) and 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). 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). Pursuant to Section 3(q)(4) of the FDIA, 12 U.S.C. 1813(q)(4), the Director of OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Numerica 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).

III. Consent

Numerica 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). 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).

V. Waivers

Numerica 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 in 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 and Numerica, 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: /S/
Ralph W. Gridley
District Director
Boston District Office

Concur:

FEDERAL DEPSOIT INSURANCE CORPORATION

By: /S/
Paul H. Wiechman
Regional Director

/S/
Richard S. Winneg

NUMERICA SAVINGS BANK, FSB
By a majority of its
Board of Directors:

/S/
John J. Reilly, Jr.

/S/
Ralph E. Jensen

/S/
Robert E. Dastin

/S/
William H. Dunlap

/S/
Robert J. Harrison

/S/
Mary M. Mongan

/S/
Edward O. Powers

/S/
James F. Quirk, Jr.

/S/
Stewart S. Richmond

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OFFICE OF THRIFT SUPERVISION

In The Matter Of:	)	
NUMERICA SAVINGS BANK, FSB Manchester, New Hampshire	)	Re: Resolution No. Bos. 90-17
OTS No. 07396	)	

ORDER TO CEASE AND DESIST

WHEREAS, Numerica Savings Bank, FSB, Manchester, New Hampshire ("Numerica" or the "Institution"), through its directors, 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 ("OTS"), by and through its District Director for the Boston District Office ("District Director"); and

WHEREAS, Numerica, 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"); and

WHEREAS, the OTS is of the opinion that Numerica and its service corporations, have engaged in unsafe and unsound banking practices and/or regulatory violations.

NOW THEREFORE, IT IS ORDERED THAT the Institution shall take affirmative action as follows:

I. Management

A. Within forty-five (45) days from the effective date of this Order, the Board of Directors shall develop and submit to the District Director and the Regional Director of the Boston Regional Office of the Federal Deposit Insurance Corporation ("Regional Director") a written analysis and assessment of the Institution's senior management and staffing needs ("Management Plan") which shall include, at a minimum:

1. identification of both the type and number of senior vice president and higher officer positions needed to properly manage and supervise the affairs of the Institution;

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

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

4. an analysis of senior management's strengths and weaknesses, including an assessment of current compensation and organizational structure; and

5. an assessment of senior management staff's

ability to effectively manage and resolve current problems confronting the Institution; and

6. 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 Institution senior vice president and higher officer positions; and

7. a requirement that the Board of Directors (or a committee thereof consisting of not less than a majority of Board Members who are independent (i.e., not officers of the Institution, or any subsidiary or affiliate thereof) of the Institution) provide supervision over the lending, investment and operating policies of the Institution sufficient to ensure that the Institution 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 and the Regional Director of all approved material modifications. The Institution, its directors, and senior officers shall implement and follow the written Management Plan and/or any subsequent modification thereto.

C. Within thirty (30) days from the effective date of this Order, the Board of Directors shall develop and submit to the District Director board approved written policies, procedures, and internal controls with respect to the Institution's "Asset Recovery Department," or any successor. Such approval shall be noted within the minutes of the Board of Directors. In addition, with respect to the "Asset Recovery Department," the board shall include, at a minimum, staffing levels, qualification or training of assigned personnel, and the department's specific duties, responsibilities, and reporting requirements.

II. Dividends

No dividends shall be paid by Numerica without ninety (90) days notice to and prior written approval by the District Director.

III. Asset Quality/Specific and General Reserves

A. Within ten (10) days after the effective date of this Order, the Institution shall charge off or establish specific reserves for all assets classified "loss" in the OTS Report of Examination ("ROE") as of June 18, 1990. In addition, the Institution shall establish a general loss reserve of at least $6,300,000.

B. The Institution shall review its assets for potential classification and its general loss reserve for adequacy on at least a quarterly basis. Adjustments to the reserve shall be made promptly following each such quarterly review. Such reviews and supporting analysis for the adequacy of the general loss reserve shall be documented within board minutes.

C. The Institution shall accurately report all classified assets within Thrift Financial Reports submitted to the OTS.

D. Upon acquisition of real estate through foreclosure, deed in lieu of foreclosure, or any acquisition deemed to be an "in substance foreclosure" in accordance with the guidelines established by Securities and Exchange Commission Financial Reporting Release No. 28 (collectively "real estate owned" or "REO"), the property shall be appraised in accordance with 12 C.F.R. 563.172. All such REO of the Institution and its subsidiaries shall be carried at the lower of book value or fair market value in accordance with 12 C.F.R. 571.18(h). If the fair market value is less than the book value upon acquisition, the Institution shall charge off or establish a specific reserve immediately to account for the loss by the "as of" date of the next periodic financial report to be filed with OTS.

E. Within thirty (30) days following the calendar quarter ended March 31, 1991, the Institution shall provide the District Director with a detailed update on (i) each major borrower with outstanding loans or extensions of credit aggregating more than $500,000 and (ii) each parcel of REO with a balance in excess of $500,000, in each case of (i) or (ii) which was classified or subject to special mention in the OTS ROE dated June 18, 1990. Such reports shall include the balance of each separate asset as of the date of the examination, the balance as of the reporting date, past due status and a summary of efforts taken to alleviate the credit deficiency. In addition, any additional assets in excess of $500,000 which become nonperforming and/or internally classified in the future shall be included. Said reports shall be required as of the end of each calendar quarter and shall be due within thirty (30) days following the end of each calendar quarter. Said reports may be discontinued only upon the written release of the District Director.

F. The Institution shall not extend or renew, directly or indirectly, any additional credit to any borrower whose loans have been adversely classified or listed for special mention in the aforementioned ROE without the prior written approval of the Board of Directors.

G. Within sixty (60) days of the effective date of this Order, the Institution shall develop and implement a system which shall accurately identify and monitor all aggregate loans to one borrower (as defined at 12 C.F.R. 563.93) in excess of $500,000 to ensure compliance with said regulation. Approval and adoption of this system by the Board of Directors shall be documented in the board minutes. In addition, management shall prepare written strategies for purposes of reducing all nonconforming lending relationships which are in excess of 12 C.F.R. 563.93.

IV. <u>Interest Rate Risk Management</u>

Within sixty (60) days of the effective date of this Order, the Board of Directors of the Institution shall establish and adopt an interest rate risk policy complying with the requirements of 12 C.F.R. 563.176. Such policy shall contain interest rate risk exposure limitations which shall be based on earnings and capital capacity. Such limits shall serve as goals for the Institution's exposure to interest rate risk. Such adoption shall be documented in the board minutes. In addition, a comparison of actual interest rate risk exposure to the adopted limits shall be made on at least a quarterly basis and the comparison shall be documented in the board minutes.

V. Criminal Referrals

The Institution shall submit criminal referrals within ten (10) business days of future discovery of any known or suspected criminal act in accordance with 12 C.F.R. 563.180(d). This policy shall be adopted by the Board of Directors and the adoption shall be documented in the board minutes.

VI. Violations of Laws and Regulations

Within sixty (60) days of the effective date of this Order, all violations of law and regulations listed in the OTS ROE as to Numerica dated June 18, 1990, on Page A-26.1 shall be corrected (to the extent possible) and procedures adopted by the Board of Directors to prevent recurrence shall be documented in the board minutes.

VII. Progress Reports

Within thirty (30) days of the effective date of this Order, and, thereafter, within thirty-five (35) days from the end of each calendar quarter, the Institution shall furnish written status reports to the District Director and the Regional Director detailing any action which has been taken to secure compliance with this Order and the results thereof. In addition, the Institution shall furnish such reports on request of the District Director. All status reports and other written responses to this Order shall be reviewed by the Board of Directors of Numerica and made a part of the minutes of the board meeting.

VIII. 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, 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, and or set aside by the OTS.

OFFICE OF THRIFT SUPERVISION

Dated: December 27, 1990

/S/

Ralph W. Gridley
District Director

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