

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

In the Matter of	)	Order No.: SE-09-016
	)	
	)	
<b>Bradford Bank MHC</b>	)	Effective Date: February 26, 2009
<b>Baltimore, Maryland</b>	)	
	)	
OTS Docket No. H-4209	)	
	)	

**STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Bradford Bank MHC, Baltimore, Maryland, OTS Docket No. H-4209 (Holding Company), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company pursuant to 12 U.S.C. § 1818(b);

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order; and

**WHEREAS**, the Holding Company desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**1. Jurisdiction.**

a. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a.

b. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease and desist proceeding against a savings and loan holding company in the same manner and to the same extent as against a savings association for regulatory violations and unsafe and unsound acts or practices.

c. Pursuant to 12 U.S.C. § 1813(q)(4), the Director of the OTS is the "appropriate Federal Banking agency" with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b)(1) and (b)(9).

**2. OTS Findings of Fact.**

a. Based on its February 19, 2008 Report of Examination of the Holding Company, the OTS finds that the Holding Company has engaged in unsafe and unsound practices that have resulted in significant losses and excessive levels of debt. These unsafe and unsound practices have had an adverse impact on the Holding Company’s operations and resulted in the deterioration of its financial condition.

b. The OTS finds that the Holding Company has failed to effectively and prudently fulfill its oversight duties and responsibilities with respect to Bradford Bank, Baltimore, Maryland, OTS No. 01348 (Association), a wholly owned savings association subsidiary, including, but not limited to, ensuring that the Association is operating in a safe and sound manner; complying with applicable laws, rules, regulations, and agency guidance; and adhering to internal policies and procedures.

**3. Consent.**

The Holding Company consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Holding Company further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

**4. Finality.**

The Order is issued by the OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

**5. Waivers.**

The Holding Company waives the following:

- a. The right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- b. The right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

**6. OTS Authority Not Affected.**

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**7. Other Governmental Actions Not Affected.**

The Holding Company acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**8. Miscellaneous.**

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

c. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties

with respect to such subject matters.

f. The Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

**9. Signature of Directors/Board Resolution.**

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Order and the execution of the Stipulation.

**WHEREFORE**, the Holding Company, by its directors, executes this Stipulation.

**BRADFORD BANK MHC**  
Baltimore, Maryland

Accepted by:

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
John O. Mitchell, III  
Chairman of the Board

\_\_\_\_\_ /s/  
John E. Ryan  
Southeast Regional Director

\_\_\_\_\_ /s/  
Dallas R. Arthur, Director

Date: See Effective Date on page 1

\_\_\_\_\_ /s/  
G. Scott Barhight, Director

\_\_\_\_\_ /s/  
Melvin C. Benhoff, Jr., Director

\_\_\_\_\_ /s/  
Carl W. Brand, III, Director

\_\_\_\_\_ /s/  
Lawrence M. Denton, Director

\_\_\_\_\_ /s/  
Gilbert D. Marsiglia, Sr., Director

\_\_\_\_\_ /s/  
George K. Mister, Jr., Director

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

_____ )	
In the Matter of )	Order No.: SE-09-016
)	
)	
<b>Bradford Bank MHC</b> )	Effective Date: February 26, 2009
<b>Baltimore, Maryland</b> )	
)	
OTS Docket No. H-4209 )	
_____ )	

**ORDER TO CEASE AND DESIST**

**WHEREAS**, Bradford Bank MHC, Baltimore, Maryland, OTS Docket No. H-4209 (Holding Company), by and through its Board of Directors (Board) has executed a Stipulation and Consent to Issuance of Order to Cease and Desist (Stipulation); and

**WHEREAS**, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings and loan holding company has consented to the issuance of an order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Dividends.**

1. Effective immediately, the Holding Company shall neither accept nor request that Bradford Bank, Baltimore, Maryland, OTS No. 01348 (Association), a wholly owned savings

association subsidiary, make or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.134, or commit to make or pay dividends or any other capital distributions, without receiving the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

2. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions without the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

**Debt Limitations.**

3. Effective immediately, the Holding Company shall make no payments of any kind in any form on any outstanding or committed debt without receiving the prior written approval of the Regional Director. Effective immediately, the Holding Company shall not incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written approval of the Regional Director. All written requests to the Regional Director shall include, at a minimum, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt payment or debt issuance, renewal, or rollover.

**Thrift Oversight.**

4. Effective immediately, the Holding Company shall ensure the Association's compliance with applicable laws, rules, regulations, and agency guidance and all the terms of the Order to Cease and Desist issued by the OTS against the Association on February 26, 2009.

**Intercompany Transactions.**

5. Effective immediately, the Holding Company shall not enter into any agreements, contracts, or arrangements with the Association or renew, amend, or modify any existing agreements, contracts, or arrangements with the Association without receiving the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed agreement, contract, or arrangement.

6. Effective immediately, the Holding Company shall not engage in any transactions with the Association, including but not limited to the making and receiving of any loans or the purchase or sale of any assets, without the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed transaction.

7. Effective immediately, the Board shall review all outstanding agreements, contracts and/or arrangements with the Association and ensure compliance with applicable laws, regulations, and the OTS guidance governing transactions with affiliates. The Board may retain a professional third party consultant to assist with such review.

8. Within sixty (60) days, the Board shall provide the Regional Director with a written report detailing the results of the review required by Paragraph 7 of this Order (TWA Report). The TWA Report shall, at a minimum: (a) identify all agreements, contracts, and/or

arrangements between or among the Association and the Holding Company or any subsidiary of the Holding Company; (b) discuss the services or products covered by each agreement, contract, and/or arrangement; (c) detail the terms of each agreement, contract, and/or arrangement; and (d) discuss each agreement, contract, and/or arrangement's compliance with applicable laws, regulations, and OTS guidance, including a summary of the documentation supporting such determination of compliance. A copy of the Board meeting minutes reflecting the Board's review of the TWA Report must be included with the TWA Report and sent to the Regional Director within ten (10) days after the Board meeting at which the TWA Report is reviewed.

**Capital Augmentation Plan.**

9. Within forty-five (45) days, the Board shall prepare and submit for Regional Director review and comment a written plan to preserve and enhance the capital of the Holding Company and the Association (Capital Augmentation Plan). At a minimum, the Capital Augmentation Plan shall:

- a. consider the requirements and restrictions imposed by this Order and the Cease and Desist Order issued by the OTS against the Association on February 26, 2009;
- b. establish the timeframes by which additional capital will be raised;
- c. detail the method by which the additional capital will be raised and identify the sources of such capital;
- d. establish an alternative strategy, including but not limited to, seeking a merger or acquisition partner, to be implemented immediately if the Board's primary strategy to raise additional capital is unsuccessful; and
- e. require the Senior Executive Officers (Management)<sup>1</sup> to prepare and submit for Board review at each regular monthly Board meeting, a written report on the Association's

---

<sup>1</sup> The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

compliance with the Capital Augmentation Plan and the Association's current capital levels (Capital Status Report).

10. The Board will make any changes to the Capital Augmentation Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Capital Augmentation Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Capital Augmentation Plan from the Regional Director, the Board shall adopt the revised Capital Augmentation Plan and the revised Capital Augmentation Plan shall be incorporated herein by reference and become a part of this Order and any violation of the revised Capital Augmentation Plan shall be a violation of this Order. The Board shall ensure that the Holding Company and the Association adhere to and implement the revised Capital Augmentation Plan. A copy of the revised Capital Augmentation Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

11. If the Board determines that the additional capital proposed in the revised Capital Augmentation Plan cannot be raised in the amounts or within the timeframes detailed in the revised Capital Augmentation Plan, the Board shall (a) provide the Regional Director with written notice of its determination that the commitments established in the revised Capital Augmentation Plan cannot be fulfilled on the next business day following such determination (Capital Notice); and (b) immediately implement the alternative strategy established under Paragraph 9.d of this Order. Not later than thirty (30) days after issuance of the Capital Notice and every thirty (30) days thereafter, the Board shall provide the Regional Director with a written update on the status of its efforts to implement the alternative strategy approved in the revised Capital Augmentation Plan. The Board shall provide the Regional Director with a copy of a

definitive merger agreement or other alternative strategy documentation within ten (10) days after execution.

**Strategic Plan.**

12. Within sixty (60) days, the Board shall prepare and submit for Regional Director review and comment a comprehensive strategic plan that covers calendar years 2009, 2010, and 2011 (Strategic Plan). The Strategic Plan shall set forth the Board's strategy for improving the financial strength and condition of the Holding Company and strengthening and improving the Association's operations and financial condition. At a minimum, the Strategic Plan shall: (a) consider the Capital Augmentation Plan required by Paragraph 9 of this Order; (b) include a detailed discussion of the Board's strategies to strengthen and improve the Holding Company and the Association's operations, earnings, and profitability, including plans for reducing the Association's operating expenses and the Holding Company's debt; (c) detail the Board's strategies for strengthening and preserving the Association's financial resources to meet its business and operational needs, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, and ensure adequate liquidity; (d) include pro forma financial projections (balance sheet and income statement) for each quarter covered by the Strategic Plan; and (e) identify all relevant assumptions and projections and include documentation supporting such assumptions and projections.

13. The Board will make any changes to the Strategic Plan required by the Regional Director within twenty (20) days after being notified of such changes and provide a copy of the revised Strategic Plan to the Regional Director for review. Upon receipt of approval of or non-objection to the revised Strategic Plan from the Regional Director, the Board shall adopt the revised Strategic Plan and the revised Strategic Plan shall be incorporated herein by reference and

become a part of this Order and any violation of the revised Strategic Plan shall be a violation of this Order. The Board shall ensure that the Holding Company adheres to and implements the revised Strategic Plan. A copy of the revised Strategic Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting. Any material modifications to the Strategic Plan shall be submitted to the Regional Director for approval at least forty-five (45) days prior to implementation. A modification shall be considered material under this section of the Order if the Holding Company plans to: (a) engage in any activity that is inconsistent with the revised Strategic Plan; or (b) exceed the level of any activity contemplated in the revised Strategic Plan or fail to meet target amounts established in the revised Strategic Plan by more than 10%, unless the activity involves assets risk-weighted 50% or less, in which case a variance of more than 25% shall be deemed to be a material modification.

14. The Board shall provide the Regional Director with quarterly status reports on the Holding Company's compliance with the revised Strategic Plan within thirty (30) days after the close of each calendar quarter beginning with the calendar quarter ending June 30, 2009.

**Management Changes.**

15. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H, 12 C.F.R. §§ 563.550 through 563.590.

**Employment Contracts and Compensation Arrangements.**

16. Effective immediately, the Holding Company shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Holding Company, unless it first provides the OTS with not less than

thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

**Severance and Indemnification Payments.**

17. Effective immediately, the Holding Company shall not make any golden parachute payment<sup>2</sup> or prohibited indemnification payment<sup>3</sup> unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

**Effective Date, Incorporation of Stipulation.**

18. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**Duration.**

19. This Order shall remain in effect until terminated, modified, or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

20. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

---

<sup>2</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

<sup>3</sup> The term “prohibited indemnification payment” is defined at 12 C.F.R. § 359.1(l).

21. The Regional Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company that includes reasons in support of any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

22. All submissions, including progress reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

23. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

- a. To the OTS:  
John E. Ryan, Regional Director  
Office of Thrift Supervision  
1475 Peachtree St., N.E.  
Atlanta, Georgia 30309  
404.897.1861 (Fax)
  
- b. To the Holding Company:  
Board of Directors  
Bradford Bank MHC  
6900 York Road  
Baltimore, Maryland 21212-1550  
410.372.2958 (Fax)

**No Violations Authorized.**

24. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
John E. Ryan  
Southeast Regional Director

Date: See Effective Date on page 1