

IN THE MATTER OF FIRST BANK)
OF CENTRAL JERSEY)
NORTH BRUNSWICK, NEW JERSEY)

STATE OF NEW JERSEY
DEPARTMENT OF
BANKING AND INSURANCE

CONSENT ORDER TO CEASE
UNSAFE AND UNSOUND
PRACTICES

TO: FIRST BANK OF CENTRAL JERSEY
1727 Route 130
North Brunswick, NJ 08902

CARMELO R. IARIA
Chairman of the Board
1727 Route 130
North Brunswick, NJ 08902

BOARD OF DIRECTORS
FIRST BANK OF CENTRAL JERSEY

STEPHEN M. DEIXLER
371 Eagle Drive
Jupiter, FL 33477

JOHN E. PAKENHAM, JR.
1571 Great Road
Skillman, NJ 08901

VINCENT DINO
201 Plainfield Avenue
Piscataway, NJ 08854

JOHN E. PELLIZZARI
50 Southfield Drive
Belle Mead, NJ 08502

CARMELO R. IARIA
105 Fern Road
East Brunswick, NJ 08816

HENRY ROSENZWEIG
8 Pheasant Drive
Colts Neck, NJ 07722

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5 Ardsleigh Road
Jamesburg, NJ 08902

JOSEPH C. ZULLO
42 Juliet Street
New Brunswick, NJ 08901

WHEREAS, the Commissioner of Banking and Insurance of the State of New Jersey (“Commissioner”) is charged with the responsibility of administering and enforcing the Banking Act of 1948, N.J.S.A. 17:9A-1 et seq.; and

WHEREAS, pursuant to N.J.S.A. 17:9A-267, the Commissioner may order a bank to cease unsafe and unsound practices if she finds that a bank is conducting its business in an unsafe and unsound manner; and

WHEREAS, First Bank of Central Jersey (“The Bank”) has been and is presently operating in an unsafe and unsound manner as evidenced by the Joint Report of Examination performed by the Department of Banking and Insurance (“Department”) and the Federal Deposit Insurance Corporation (FDIC) as of close of business June 30, 2001 (“Joint Report of Examination”) which disclosed the following unsafe and unsound conditions:

- (a) Engaging or entering into hazardous lending and loan administration practices;
- (b) Operating the Bank with inadequate capital in relation to the kind and quality of assets held and anticipated growth of the Insured Institution;
- (c) Operating the Bank with an excessive volume of poor quality assets;
- (d) Operating the Bank with an inadequate allowance for loan and lease losses;
- (e) Operating the Bank with inadequate loan review;
- (f) Operating the Bank with inadequate internal routine and controls and unsatisfactory risk management policies and procedures;

- (g) Operating the Bank in such a manner so as to produce unsatisfactory earnings;
- (h) Operating the Bank in such a manner as to produce operating losses;
- (i) Operating the Bank with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;
- (j) Operating the Bank with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank;
- (k) Operating the Bank with an excessive concentration of credit in its subprime indirect automobile loan portfolio;
- (l) Operating the Bank without a board of director approved subprime lending program;
- (m) Failing to employ proper accounting methods;
- (n) Failing to provide the Bank with operational personnel who have experience that is adequate to ensure safe and sound operation of the Bank and to ensure compliance with applicable laws and regulations; and
- (o) Engaging in violations of applicable Federal and State laws and/or regulations, as more fully set forth on pages 31-34 of the Joint Report of Examination of the Bank by the Department and FDIC as of June 30, 2001 (the "Joint Report of Examination").

IT IS THEREFORE ORDERED, pursuant to N.J.S.A. 17:9A-267, that the Bank, its officers, board of directors, and employees correct the unsafe and unsound practices as set forth hereinafter and that it institute all measures necessary to correct said unsafe or unsound practices and conditions including, but not limited to, the following:

1. (a) Within 60 days from the effective date of this ORDER, the board of directors of the Bank shall develop and submit to the Commissioner and the Regional Director of the New York Regional Office of the FDIC (“Regional Director”) a three-year Strategic Business Plan (“Business Plan”), which includes at a minimum:

- (i) objectives and specific strategies with respect to the Bank's indirect automobile lending program;
- (ii) strategies for managing the various types of risks facing the Bank;
- (iii) a minimum of three years of pro-forma quarterly financial statements, supported by the underlying financial and economic assumptions;
- (iv) projections as to growth, deposit sources, general investment plans and a written capital plan;
- (v) a realistic estimate of the date by which the Bank shall achieve satisfactory profitability (earnings that are sufficient to support operations and maintain adequate capital and allowance levels after consideration is given to asset quality, growth, and other factors affecting the quality, quantity, and trend of earnings).

(b) The board of directors of the Bank shall assess, on at least a quarterly basis, the Bank's performance in relation to its Business Plan, shall determine the cause and implications of any substantial deviations therefrom, and shall amend the Business Plan on an ongoing basis as appropriate.

(c) During the life of this ORDER, the Bank shall immediately notify the Commissioner and the Regional Director in writing of any material adverse developments affecting the Bank's condition, performance or substantial deviation from its Business Plan.

2. (a) The Bank shall have and retain qualified management. Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Such management shall include a chief executive officer and an experienced senior lending officer responsible for supervising the Bank's lending and the workout of problem credits. The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) improve and thereafter maintain the Bank in a safe and sound manner;
- (iii) comply with all applicable Federal and State laws and regulations, and FDIC, Interagency and FFIEC policy statements;
- (iv) restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings and liquidity; and
- (v) successfully implement the Business Plan prepared in accordance with paragraph 1.

(b) During the life of this ORDER, the Bank shall notify the Commissioner and the Regional Director in writing of any resignations and/or terminations of any members of its board of directors and/or any of its executive officers. In addition, the Bank shall comply with section 32 of the Act, 12 U.S.C. § 183 li, which includes a requirement that the Bank shall notify the Regional Director in writing at least 30 days prior to any individual assuming a new position as a senior executive officer or any additions to the board of directors of the Bank. The Bank

shall also notify the Commissioner in writing at least 30 days prior to any individual assuming a new position as a senior executive officer or any additions to the board of directors of the Bank.

3. (a) To ensure both compliance with this ORDER and to facilitate having and retaining qualified management, the board of directors of the Bank shall, within 60 days from the effective date of this ORDER, undertake an in-depth analysis and review of the Bank's managerial requirements and make a written report ("Management Report") on the Bank's management needs. The Management Report shall incorporate an analysis of the Bank's management and staffing requirements and shall, at a minimum:

- (i) provide a review of the composition, policies and practices of the Bank's current operating management;
- (ii) provide a recommendation of whether current operating management should be changed, or the terms and conditions under which current operating management should be continued;
- (iii) provide an evaluation of each Bank officer indicating whether these officials possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices and maintenance of the Bank in a safe and sound condition;
- (iv) identify both the number and type of positions needed to properly supervise the Bank's lending functions, giving appropriate consideration to the Bank's loan volume, customer base and the number of problem credits;

- (v) provide a clear and concise description of the general duties and responsibilities for each Bank officer and their key support staff;
- (vi) identify the skills, experience and compensation required for each position;
- (vii) establish a plan to recruit, hire and/or replace personnel based on ability and experience;
- (viii) establish a plan providing for periodic evaluation of each individual's job performance; and
- (ix) provide for periodic review of the Bank's management and updating of lending policies and procedures.

(b) Within 60 days from the effective date of this ORDER, the board of directors of the Bank shall prepare a written plan of implementation ("Plan") addressing the findings of the Management Report. The Plan shall specify the actions to be taken by the board of directors and the time frames for each action.

(c) Promptly after preparation of the Management Report and Plan, a copy of the Management Report and Plan shall be submitted to the Commissioner and the Regional Director for review and comment. Within 30 days from receipt of any comments, and after consideration of such comments, the board of directors of the Bank shall approve the Management Report and Plan, which approval shall be recorded in the minutes of the meeting of the board of directors. It shall remain the responsibility of the board of directors to fully implement the Plan within the specified time frames. In the event the Plan, or any portion thereof, is not implemented, the board of directors shall immediately advise the Commissioner and the Regional Director, in writing, of the specific reasons for deviating from the Plan.

4. (a) Within 180 days from the effective date of this ORDER, the bank shall have a total equity capital to total assets ratio equal to or greater than ten (10%) percent, and shall maintain said ratio until May 11, 2003. In addition, during the life of this ORDER, the Bank shall establish and maintain a total risk-based capital ratio equal to or greater than eight (8%) percent.

(b) The total risk-based capital ratio shall be calculated utilizing the framework set forth in the FDIC Statement of Policy on Risk-Based Capital, Appendices A and B to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, Appendices A and B, except that the following risk weights shall be utilized with respect to the Bank's asset category of indirect automobile loans:

- (i) a 150 percent risk weight shall apply to the indirect automobile loan category where the respective borrower had a credit bureau risk ("FICO") score greater than 660;
- (ii) a 300 percent risk weight shall apply to the indirect automobile loan category where the respective borrower had a FICO score equal to or less than 660.

(c) The total risk-based capital ratio shall be determined quarterly by the Bank as part of its capital analysis conducted in accordance with the guidance provided in the Interagency Expanded Guidance for Subprime Lending Programs and pursuant to paragraph 5 of this ORDER. A copy of the Bank's capital analysis shall be submitted to the Commissioner and the Regional Director for review and comment.

(d) Any increase in capital necessary to meet the risk-based capital ratio required by paragraph 4(a) of this ORDER may be accomplished by the following:

- (i) the sale of new securities in the form of common stock or non-cumulative perpetual preferred stock; or
- (ii) the direct contribution of cash by the directors of the Bank; or
- (iii) any combination of the above or other method acceptable to the Department and the FDIC.

(e) If all or part of the increase in capital required by paragraph 4(a) of this ORDER is accomplished by the sale of new securities, the board of directors of the Bank shall forthwith adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of Bank securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal and State securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the Department and the FDIC, Registration and Disclosure Section, Washington, D.C. 20429. Any changes requested to be made in the plan or materials by the Department or FDIC shall be made prior to their dissemination.

(f) In complying with the provisions of paragraph 4 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph 4 shall be furnished within 10 calendar days from the

date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of Bank securities who received or was tendered the information contained in the Bank's original offering materials.

(g) The Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of Bank stock or to any investor by any other means for any portion of any increase in risk-based capital required herein.

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall revise, adopt and implement written lending and collection policies and procedures to provide effective guidance and control over the subprime lending activities of the Bank and shall include a review of the adequacy of the Bank's allowance for loan and lease losses.

(b) For the purposes of this ORDER, the term "subprime" shall have the meaning and characteristics as described in the Interagency Expanded Guidance for Subprime Lending Programs.

(c) The policies and procedures shall, at a minimum, include provisions which will bring the Bank's loan policy into conformance with the standards and guidance set forth in the Interagency Guidance on Subprime Lending, the Interagency Expanded Guidance for Subprime Lending Programs and the FFIEC Uniform Retail Credit Classification and Account Management Policy. The Bank's revised subprime lending policies and procedures and their implementation shall be in a form and manner acceptable to the Commissioner and the Regional Director. At a minimum, the policies shall include the following:

- (i) establishment of risk management policies and procedures including procedures to classify subprime loans in accordance with (1) the Interagency Guidance on Subprime Lending, (2) the Interagency Expanded Guidance for Subprime Lending Programs,

and (3) the FFIEC Uniform Retail Credit Classification and Account Management Policy;

- (ii) establishment of policies and procedures for the timely review and analysis of the adequacy of the Bank's allowance for loan and lease losses and the regulatory capital allocated to support the Insured Institution's subprime lending program. The Bank shall fully document the methodology and analysis utilized to support the allowance for loan and lease losses and the regulatory capital allocated to support the Bank's subprime lending program. The Bank's capital adequacy analysis and procedures should include stress and shock testing as such terms are described in the Interagency Expanded Guidance for Subprime Lending Programs and an estimation of the indirect automobile loan portfolio's susceptibility to deteriorating economic, market and business conditions;
- (iii) establishment of subprime lending policies and procedures that include minimum credit standards and loan review, including portfolio and transaction level testing, loan classification guidelines, and a provision to the effect that deviations from the written lending policies and procedures shall require the prior approval of the board of directors of the Bank;
- (iv) a requirement that a schedule of all loans approved, including loan modifications, extensions and renewals shall be reviewed by the board of directors of the Bank on a monthly basis;

- (v) a provision ensuring that delinquencies are accurately reported to the board of directors on a monthly basis;
- (vi) a provision specifically outlining the collection procedures to be taken by the Bank when borrowers fail to make timely payments;
and
- (vii) procedures for obtaining, maintaining and reviewing complete and current credit files on each borrower.

(d) Within 30 days from the effective date of this ORDER, the board of directors of the Bank shall adopt and implement a written program for an accurate accounting of the Bank's indirect automobile loan category, including automobile repossessions and subsequent automobile sales. The written program shall include, but not be limited to, hiring a qualified loan officer for the workout of problem credits; developing management information systems to monitor subprime loan activity; developing internal and external audit functions and accounting policies to accurately account for repossessed automobile assets and gains and/or losses on sales of Insured Institution-financed automobiles; and the elimination of residual loan balances.

(e) All increases in the allowance for loan and lease losses, with the exception of recoveries credited directly to the allowance, shall be accomplished by charges to operating earnings through the provision for loan and lease losses.

6. Immediately upon the effective date of this ORDER, the Bank shall not extend, either directly or indirectly, any new or additional credit, with respect to subprime lending activities until such time that the Bank complies with the Interagency Expanded Guidance for Subprime Lending Programs and provides prior written notification to the Commissioner and the Regional Director.

7. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by collection or charge-off, all items or portions of items classified "Loss" by the Department and the FDIC as a result of the Joint Report of Examination of the Bank, which have not been previously charged-off or collected.

(b) In addition, and so long as this ORDER remains in effect, the Bank shall, within 30 days from the receipt of any subsequent report of examination of the Bank from the Department or the FDIC, eliminate from its books, by collection or charge-off, all items or portions of items classified "Loss" and fifty (50%) percent of all items or portions of items classified "Doubtful" in said report of examination. Elimination of these items through the use of the proceeds of loans or other extensions of credit made by the Bank does not constitute collection for the purposes of this ORDER.

8. (a) Immediately upon the effective date of this ORDER, the Bank shall not extend, either directly or indirectly, any new or additional credit (which, for the purposes of this ORDER, shall include the granting of renewals or extensions, or the capitalizing of accrued interest), to or for the benefit of any borrower who is obligated in any manner to the Bank on any extension of credit, or portion thereof, which has been charged-off the books of the Bank ("Charged-Off Borrower"), in whole or in part, so long as any portion of such extension of credit, whether that portion was charged-off, remains uncollected.

(b) Immediately upon the effective date of this ORDER, the Bank shall not extend, either directly or indirectly, any new or additional credit, to or for the benefit of any borrower who is obligated in any manner to the Bank on any loan or other extension of credit that has been adversely classified ("Classified Borrower"), in whole or in part, as a result of the Joint Report of Examination of the Bank, or as a result of any subsequent examination of the Bank by the Department or the FDIC, so long as such loan or other extension of credit remains classified

or uncollected. This paragraph 8(b) shall not prohibit the Bank from renewing all or any part of an extension of credit to a Classified Borrower, after collection in cash of interest due on the entire extension of credit.

(c) The prohibition of paragraph 8(a) and 8(b) shall not apply to any extension of credit to a charged-off or classified borrower if: prior to extending any credit to a charged-off borrower, or a classified borrower, a majority of the Bank's full board of directors shall approve the extension of credit and certifies, in writing, the specific reasons why failure to so act would be substantially detrimental to the best interests of the Bank. A copy of the board's certification shall be maintained in the credit file of the charged-off or classified borrower, and shall also be submitted to the Commissioner and the Regional Director.

9. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and/or regulations, as described on pages 31-34 of the Joint Report of Examination of the Bank. In addition, the Bank shall take all steps necessary to ensure future compliance with all applicable State and Federal laws and regulations and FDIC, Interagency and FFIEC guidance and policy statements.

10. Within 90 days from the effective date of this ORDER, the Bank's board of directors shall revise, adopt and implement written policies and procedures to provide effective guidance and control over the internal routine and controls of the Bank, in accordance with safe and sound banking practices. Among other provisions, the revised policies and procedures shall specifically provide for correction of all internal routine and controls deficiencies scheduled as a result of the Joint Report of Examination of the Bank. Such policy and its implementation shall be in a form and manner acceptable to the Commissioner and the Regional Director as determined at subsequent examinations and/or visitations.

11. (a) Within 30 days from the effective date of this ORDER, the Bank shall review all Reports of Condition and Income filed with the FDIC on and after September 30, 2000 and shall amend and file with the FDIC amended Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the date of each such report.

(b) In addition to the above and during the life of this ORDER, the Bank shall file with the FDIC, Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the reporting period. In particular such reports shall include any adjustment in the Bank's books made necessary or appropriate as a consequence of any Department or FDIC examination of the Bank during that reporting period and the results of the Joint Report of Examination of the Bank.

12. The Bank shall not declare or pay either directly or indirectly any dividends, whether in cash, stock, or otherwise, on any class of its stock, without the prior written consent of the Commissioner and the Regional Director.

13. Immediately upon the effective date of this ORDER, the Bank shall:

(a) Not enter into any agreements with present and former officers of the Bank which constitute "golden parachute payments", as defined in section 18(k)(4) of the Act, 12 U.S.C. §1828(k)(4);

(b) Rescind all agreements or portions of agreements with present and former officers of the Bank which constitute "golden parachute payments";

(c) Cease making any payments to present and former officers of the Bank which constitute "golden parachute payments"; and

(d) take whatever legal steps are necessary to obtain reimbursement from all former officers of the Bank of any payments which have already been made to them and which constitute "golden parachute payments".

14. The board of directors of the Bank shall appoint a committee (the "Compliance Committee") composed of at least three directors who are not now and have never been involved in the daily operations of the Bank, and whose composition is acceptable to the Commissioner and the Regional Director, to monitor the Bank's compliance with this ORDER. Within 30 days from the effective date of this ORDER, and at monthly intervals thereafter, such Compliance Committee shall prepare and present to the Bank's board of directors a written report of its findings, detailing the form, content, and manner of any action taken to ensure compliance with this ORDER and the results thereof, and any recommendations with respect to such compliance. Such progress reports shall be included in the minutes of the meeting of the Bank's board of directors. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

15. The Bank will provide on a monthly basis to the Commissioner and the Regional Director reports for the prior month as follows:

- (a) Consolidated and Bank only statements of condition and income;
- (b) Report of performance indicators for the month including:
 - (i) calculations providing Tier 1 capital leverage and total leverage and Tier 1 and total risk-based capital ratios;
 - (ii) return on average assets (annualized to date);
 - (iii) net interest margin (annualized to date).
- (c) Loan portfolio reports of delinquency and charge-off activity.
- (d) The term "Tier 1 capital" shall have the meaning ascribed to it in Part 325 of the FDIC's Rules and Regulations, section 325.2(t), 12 C.F.R. 325.2(t).

16. By the 30th day after the end of the calendar quarter following the effective date of this ORDER, and by the 15th day after the end of every calendar quarter thereafter, the Bank shall furnish written progress reports to the Commissioner and the Regional Director detailing the form, content, and manner of any actions taken to secure compliance with this ORDER, and the results thereof.

17. Following the effective date of this ORDER, the Bank shall send each shareholder a description of this ORDER. The description shall fully describe the ORDER in all material respects.

Each provision of this ORDER shall be binding upon the Bank and all its officers, directors, employees, and their successors and assigns.

Each provision of this ORDER shall remain effective and enforceable until stayed, modified, terminated or suspended by the Commissioner.

In case any provision in this 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.

Failure to comply with this ORDER may result in imposition of penalties upon the Bank as provided by law and/or other appropriate supervisory action.

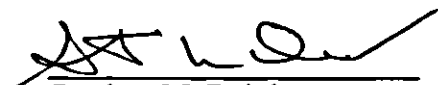
This ORDER is effective and enforceable 10 days from the date of its issuance by the Commissioner as set forth below.

IT IS SO ORDERED on this 28th day of MAY, 2002.



Kenneth L. Walker
Assistant Director, Division of Banking


Consented to both as to form and substance:



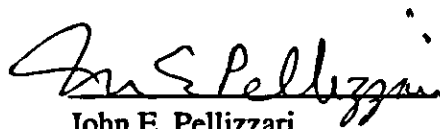
Stephen M. Deixler
Director



John E. Pakenham, Jr.
Director



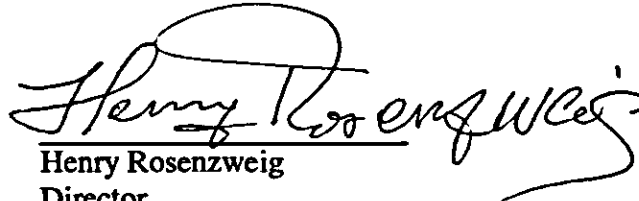
Vincent Dino
Director



John E. Pellizzari
Director



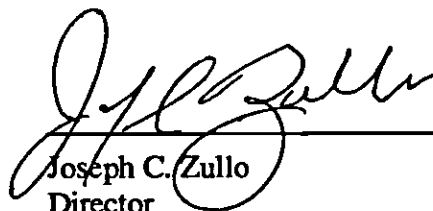
Carmelo R. Iaria
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Henry Rosenzweig
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Joseph C. Zullo
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