

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

In the Matter of)
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LINCOLN 1ST BANK)
LINCOLN PARK, NEW JERSEY)
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CONSENT ORDER

TO: LINCOLN 1ST BANK
31 Boonton Turnpike
Lincoln Park, NJ 07035

WHEREAS, the Commissioner of Banking and Insurance of the State of New Jersey (“Commissioner”) is charged with the responsibility of administering and enforcing the New Jersey Banking Act of 1948, N.J.S.A. 17:9A-1 to -467 (“the Act”); and

WHEREAS, Lincoln 1ST Bank (“Bank”) is a financial institution chartered by the Commissioner pursuant to the Act; and

WHEREAS, pursuant to N.J.S.A. 17:9A-267, the Commissioner may order a state-chartered financial institution to cease any unsafe and unsound practices; and

WHEREAS, the Commissioner and the Bank, by and through its duly elected and acting board of directors (“Board”), having agreed to enter into this Consent Order pursuant to N.J.S.A. 17:9A-267, and the Bank, without admitting or denying any charges of unsafe and sound banking practices and violations of law or regulation, hereby consent to the following provisions;

NOW THEREFORE, it is on this 29th day of January, 2021, ORDERED AND AGREED that:

I. BOARD SUPERVISION

A. Within 30 days from the effective date of this Consent Order, the Board must assume responsibility for the approval of the Bank's policies and objectives and for the oversight of Bank management, including the establishment and approval of a process to monitor all the Bank's activities and compliance with the Board-approved policies ("Board Process"). The Board Process must include, at a minimum:

1. Monthly meetings to monitor the overall condition and risk profile of the Bank and to review and approve compliance with applicable statutes, rules, regulations, and Board-approved policies. The Board must, at a minimum, promptly review and approve the following as available:
 - (a) Compliance with the Capital Plan required by Section IX of this Consent Order and related reports;
 - (b) Audit reports;
 - (c) Reports of income and expenses;
 - (d) Liquidity monitoring reports;
 - (e) Investment activities;
 - (f) Sensitivity to Market Risk measurement reports;
 - (g) Operating policies and procedures;
 - (h) Consent Order Compliance Report ("CO Compliance Report") detailing the form, content, and manner of any action taken to ensure compliance with this

Consent Order and the results thereof, and any recommendations with respect to such compliance;

- (i) Board Committee reports and minutes;
- (j) Bank Secrecy Act/Anti-Money Laundering reports; and
- (k) Exceptions to Board-approved policies.

2. Monthly reviews of the loan portfolio that, at a minimum, include:

- (a) Reports of new, past due, renewed, extended, insider, charged-off, non-accrual, and recovered loans;
- (b) Adversely classified asset reports identifying each classified asset by amount;
- (c) Credit and collateral documentation exceptions identified internally or by third parties;
- (d) Identification of all loans not in conformance with the Bank's loan policies and procedures ("Loan Policy"), as revised in accordance with Section III;
- (e) Current lists of all loans to executive officers, directors, and their related interests; and
- (f) Concentrations of credit by industry, collateral, loan type, and geography.

3. Annual written performance evaluations of the Bank's Senior Executive Officers, as defined at 12 C.F.R. 303.101(b), documented in the Board's minutes.

B. The Board must ensure that complete and accurate minutes of Board and committee meetings are maintained; that these minutes, at a minimum, adequately document the reviews and/or approvals required by paragraph A. above, including the names of any dissenting directors; and that the minutes address the areas covered by this Consent Order and the CO Compliance Report. Nothing in this provision precludes the Board from considering matters other than the items listed in this provision

during its monthly meetings.

II. MANAGEMENT

A. The Board must ensure that the Bank has and continues to retain qualified management for all key functions of the Bank. Each member of management must have the qualifications and experience commensurate with assigned duties and responsibilities at the Bank and must be provided the necessary written authority to implement the provisions of this Consent Order. The qualifications of management must be assessed on their respective abilities to:

1. Comply with the requirements of this Consent Order;
2. Operate the Bank in a safe and sound manner;
3. Comply with applicable laws, rules, and regulations; and
4. Restore all aspects of the Bank to a safe and sound condition, including asset quality; risk management; capital adequacy, earnings and liquidity.

B. During the life of this Consent Order, prior to the addition of any individual to the bank's Board or the employment of any individual as a senior executive officer, the Bank must request and obtain the FDIC's written approval in accordance with 12 U.S.C. § 1831i and 12 C.F.R. Part 303, subpart F. The Board must also provide written notification to the Deputy Regional Director and the Commissioner of the resignation or termination of any Board member or Senior Executive Officer within 10 days of his/her resignation or termination.

III. CREDIT RISK MANAGEMENT AND ADMINISTRATION

Within 60 days from the effective date of this Consent Order, the Board must ensure that the Loan Policy is reviewed and improved to satisfactorily address the loan underwriting and credit administration deficiencies and weaknesses identified in the 2020 Report of Examination of the Bank by the FDIC and New Jersey Department of Banking and Insurance ("NJDOBI") (the "2020 ROE").

IV. CLASSIFIED ASSETS – CHARGE-OFF AND PLAN FOR REDUCTION

A. Within 30 days from the effective date of this Consent Order, the Board must, to the extent that it has not previously done so, eliminate from the Bank's books and records, by charge-off or collection, all assets classified Loss in the 2020 ROE. Elimination or reduction of these assets through proceeds of loans made by the Bank will not be considered collection for the purposes of this Section.

B. Within 90 days from the effective date of this Consent Order, the Board must develop and implement a written plan ("Classified Asset Plan") to reduce the remaining assets with balances of \$200,000 or greater classified Doubtful and Substandard in the 2020 ROE ("Classified Asset"). The Classified Asset Plan must, at a minimum, include:

1. For each Classified Asset:
 - (a) The name under which it is carried on the Bank's books and records;
 - (b) The type of asset;
 - (c) An analysis of the financial position of each borrower, including the source of repayment, repayment ability, alternate repayment sources, and a global cash flow analysis, if applicable;
 - (d) An evaluation of the available collateral, including possible actions to improve the Bank's collateral position; and
 - (e) Actions to be taken to reduce outstanding balances with time frames for accomplishing the actions.
2. A schedule detailing the projected reduction of total Classified Assets on a quarterly basis expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses ("ALLL"). For purposes of the Classified Asset Plan, the reduction of Classified Assets may only be accomplished by:

- (a) Charge-off;
- (b) Collection;
- (c) Sufficient improvement in the quality of the Classified Assets so as to warrant removing any adverse classification; or
- (d) An increase in the Bank's Tier 1 Capital.

C. While this Consent Order is in effect, the Board must ensure that the Bank eliminates from its books and records, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future visitation or examination conducted by the FDIC or NJDOBI. The Board must also update the Classified Asset Plan as appropriate to reflect any assets with balances of \$200,000 or greater subsequently classified as Doubtful or Substandard by the Bank, the FDIC, or NJDOBI.

V. RESTRICTIONS ON ADVANCES TO CLASSIFIED BORROWERS

While this Consent Order is in effect, the Board must ensure that the Bank does not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the Bank's books and records or classified Loss, Doubtful or Substandard by the FDIC or the NJDOBI, in the 2020 ROE or any future Report of Examination issued by the FDIC and/or the NJDOBI, either in whole or in part, and is uncollected, unless the Board has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement must be placed in the appropriate loan file and included in the minutes of the applicable Board meeting.

VI. LOAN REVIEW PROGRAM

A. Within 45 days from the effective date of this Consent Order, the Board must develop written policies and procedures establishing a loan review program requiring the periodic, but not less

than semi-annual, submission of a report to the Board detailing the results of an independent review and written analysis of the Bank's commercial loan portfolio identifying and categorizing problem extensions of credit ("Loan Review Program").

B. The Loan Review Program must, at a minimum, ensure:

1. Prompt identification of loans with credit weaknesses, including the name of the borrower(s) and any guarantors (collectively, "Obligors"), amount of the loan, reason the loan warrants special attention, and an assessment of the loan's repayment risk;
2. Prompt identification of all outstanding balances and commitments attributable to each Obligor, including outstanding balances and commitments attributable to related interests of each Obligor, noting the Obligor of record, and an assessment of the risk exposure from the aggregate relationship;
3. Identification and analysis of trends affecting the quality of the loan portfolio and potential problem areas;
4. Assessment of the overall quality of the loan portfolio;
5. Identification of credit and collateral documentation exceptions;
6. Identification and status of violations of laws, rules, or regulations with respect to the lending function;
7. Identification of loans that are not in conformance with the Loan Policy; and
8. Identification of loans to directors, officers, principal shareholders, and their related interests.

VII. ALLOWANCE FOR LOAN AND LEASE LOSSES

A. Within 45 days from the effective date of this Consent Order, the Bank must develop and implement a comprehensive policy and methodology for determining the ALLL ("ALLL Policy").

B. The ALLL Policy must, at a minimum:

1. Require the use of a methodology conforming to generally accepted accounting principles and independently validated on an annual basis for determining the Bank's ALLL adequacy;
2. Require a review of the Bank's ALLL ("ALLL Review") at least once each calendar quarter and the submission to the Board of a written report detailing the ALLL Review findings subsequent to the end of each calendar quarter to enable the proper reporting of the Bank's ALLL in the quarterly Consolidated Reports of Condition and Income ("Call Report"), or any successor report, in a timely manner; and
3. Require that ALLL Reviews include, at a minimum:
 - (a) The Bank's loan loss experience;
 - (b) An estimate of the potential loss exposure in the portfolio; and
 - (c) Trends of delinquent and non-accrual loans and prevailing and prospective economic conditions.

C. The minutes of the Board meetings at which the ALLL Reviews are undertaken must include complete details of the ALLL Reviews and the resulting recommended adjustment in the ALLL.

D. A deficiency in the ALLL must be remedied in the calendar quarter in which it is identified by a charge to current operating earnings prior to any Tier 1 Capital determinations required by this Consent Order and prior to the Bank's submission of its Call Report. The Bank must thereafter maintain an appropriate ALLL.

VIII. STRATEGIC/PROFIT PLAN

A. Within 90 days from the effective date of this Consent Order and then no later than December 15 of each calendar year thereafter, the Board must develop and submit a written strategic

and profit plan (“Strategic/Profit Plan”) designed to improve sustainable earnings and supported by a comprehensive operating budget addressing all categories of income and expense with formal goals and strategies, consistent with sound banking practices, and taking into account the Bank’s other written plans, policies, or actions as required by this Consent Order to the Deputy Regional Director and the Commissioner for review and non-objection in accordance with Section XIV of this Consent Order. The Strategic/Profit Plan must assess the Bank’s current financial condition and market area, describe the operating assumptions that form the basis for major projected income and expense components, and establish the means by which the Bank will improve its earnings.

B. Within 30 days following the end of each calendar quarter following completion of the Strategic/Profit Plan required by this Section, the Board must evaluate the Bank’s actual performance in relation to the Strategic/Profit Plan, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

IX. CAPITAL

A. Within 90 days from the effective date of this Consent Order, the Board must develop and submit a capital plan (“Capital Plan”) detailing the manner in which the Bank will, after establishing an appropriate ALLL, achieve by no later than March 31, 2022, and thereafter maintain a Leverage Ratio equal to or greater than 8 percent and a Total Capital Ratio equal to or greater than 12 percent, both as defined by 12 C.F.R. §§ 324.10(b)(3) and 324.10(b)(4), respectively, to the Deputy Regional Director and the Commissioner for review and non-objection in accordance with Section XIV of this Consent Order. For purposes of this Consent Order, all terms relating to capital have the definition assigned to them in 12 C.F.R. Part 324 (Part 324) and must be calculated in accordance with Part 324.

B. The Capital Plan must, at a minimum:

1. Consider:

- (a) The volume of the Bank's adversely classified assets;
- (b) The nature and level of the Bank's asset concentrations;
- (c) The adequacy of the Bank's ALLL;
- (d) The anticipated level of retained earnings;
- (e) Anticipated and contingency liquidity needs; and
- (f) The source and timing of additional funds to fulfill future capital needs.

2. Require that by no later than June 30, 2021, and until March 31, 2022, the Bank achieve and maintain a Leverage ratio equal to or greater than 7 percent and a Total Capital Ratio equal to or greater than 12 percent.

C. In the event any required capital ratio, as reflected in the Bank's most recently filed Call Report, or any successor report, is less than a minimum ratio required by this Consent Order, the Bank must submit a new Capital Plan for review and non-objection in accordance with Section XIV of this Consent Order within 15 days from the date on which the Call Report was filed. The new Capital Plan must, at a minimum, detail the manner in which the Bank will achieve and thereafter maintain the Leverage and Total Capital ratios as required by this Consent Order. The new Capital Plan may include increasing the Bank's Tier 1 Capital, the direct contribution of cash by the Bank's parent holding company, decreasing assets, or the merger with or acquisition by another insured depository institution or the parent holding company thereof as the means by which required capital ratios will be achieved and maintained.

X. GROWTH RESTRICTION

The Board must ensure that the Bank does not increase its total assets, as defined in the FFIEC's Instructions for Call Reports, by more than 5 percent during any calendar quarter or by more than 10 percent annually without submitting, at least 30 days prior to its proposed increase, a growth plan

(“Growth Plan”) to the Deputy Regional Director and the Commissioner for review and non-objection in accordance with Section XIV of this Consent Order. The Growth Plan must, at a minimum, include the funding source(s) to support the proposed growth, as well as the anticipated use of funds. The Growth Plan may not be implemented without the prior written consent of the Deputy Regional Director and the Commissioner.

XI. DIVIDEND RESTRICTION

The Board will not declare or pay any dividend or management fee to its parent holding company or any institution-affiliated party of the Bank without the prior written consent of the Deputy Regional Director and the Commissioner.

XII. LIQUIDITY AND FUNDS MANAGEMENT

A. Within 60 days from the effective date of this Consent Order, the Board must revise and implement a liquidity and funds management policy (“Liquidity and Funds Management Policy”) that improves the Bank’s funds management procedures and maintains provisions necessary to meet the Bank’s liquidity.

- B. The revised Liquidity and Funds Management Policy must, at a minimum:
1. Address the weaknesses pertaining to liquidity stress testing and the Bank’s Contingency Funding Plan identified in the 2020 ROE;
 2. Establish risk limits designed to increase current on-balance sheet liquidity levels and reduce the current level of wholesale funding sources, as defined in the 2020 ROE; and
 3. Measure and document projected cash sources and uses.

XIII. INTEREST RATE RISK

A. Within 60 days from the effective date of this Consent Order, the Board must revise and implement an Interest Rate Risk Policy that improves the Bank’s monitoring of interest rate risk and

limits its interest rate risk exposure.

B. The revised Interest Rate Risk Policy must, at a minimum:

1. Address the weaknesses pertaining to interest rate risk model assumptions identified in the 2020 ROE; and
2. Establish appropriate limits designed to reduce the current level of interest rate risk exposure.

XIV. NON-OBJECTION AND IMPLEMENTATION

A. When a provision of this Consent Order requires the submission of proposed plans or policies, proposed revisions or additions to a plan or policy, or any other matter to the Deputy Regional Director or the Commissioner for review, comment, or non-objection, the submission must be made to the Deputy Regional Director, Federal Deposit Insurance Corporation, 350 Fifth Avenue, Suite 1200, New York, New York 10118, and to the Commissioner, New Jersey Department of Banking and Insurance, 20 West State Street, P.O. Box 040, Trenton, New Jersey 08625.

B. For proposed plans or policies, proposed revisions or additions to a plan or policy, or other matters receiving the approval or non-objection of the Deputy Regional Director and the Commissioner, the Board must, at its next regularly scheduled meeting, adopt the proposed plan or policy, proposed revision or addition to a plan or policy, or other matter for which it received approval or non-objection. These actions should be appropriately reflected in the Board minutes. Immediately thereafter, the Board and its directors, Bank management, and staff must fully implement and follow the plan, policy, or other matter as adopted and enforce full and complete compliance with these plans, policies, or other matters. It will remain the responsibility of the Board to ensure full implementation of the plans, policies, or other matters as adopted within the specified time frames. In the event these plans, policies, or other matters as adopted by the Board, or any portion thereof, are not fully implemented, the

Board must immediately advise the Deputy Regional Director and the Commissioner in writing of the specific reasons for the deviation or delay.

XV. PROGRESS REPORTS

Within 45 days from the end of each calendar quarter following the effective date of this Consent Order, the Board must furnish to the Deputy Regional Director and the Commissioner written progress reports, including supporting documents, detailing the form and manner of any actions taken to secure compliance with this Consent Order and the results thereof. Any and all deviations from timelines or deliverables established by plans submitted to the Deputy Regional Director and the Commissioner and not objected to in accordance with Section XIV of this Consent Order must be noted in the Progress Report with an explanation for the failure to meet the relevant timeline or provide the relevant deliverable. Progress reports may be discontinued only when the corrections required by this Consent Order have been accomplished and the Deputy Regional Director and the Commissioner have released the Bank in writing from making further reports.

XVI. NOTICE TO PARENT HOLDING COMPANY


Within 30 days from the effective date of this Consent Order, the Board must either provide a copy of this Consent Order, or an accurate and complete description of all material aspects of this Consent Order, to its parent holding company.

XVII. OTHER ACTIONS

The provisions of this Consent Order do not bar, estop, or otherwise prevent the Commissioner, NJDOBI, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

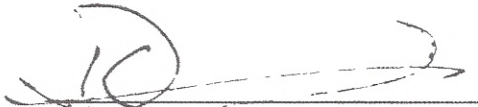
This Consent Order is effective on the date of issuance, and its provisions will remain effective and enforceable until such time as any provision is modified, terminated, suspended, or set aside in

writing by the Commissioner. The provisions of this Consent Order are binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.



Marlene Caride
Commissioner

CONSENTED AS TO FORM, CONTENT, AND ENTRY:



Dan Rothstein, Chairman

Date: 1/28/2021

Anthony Petrillo

Date: _____

Seth Stoller

Date: _____

Judy Krandel

Date: _____

Tom Considine

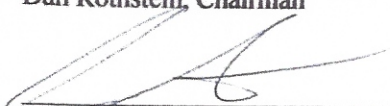
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David Scelba

Date: _____

CONSENTED AS TO FORM, CONTENT, AND ENTRY:

Dan Rothstein, Chairman



Anthony Petrillo

Date: _____

Date: _____ 1/28/2021 _____

Seth Stoller

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Tom Considine

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David Scelba

Date: _____

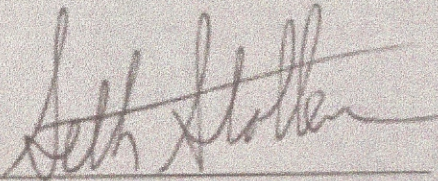
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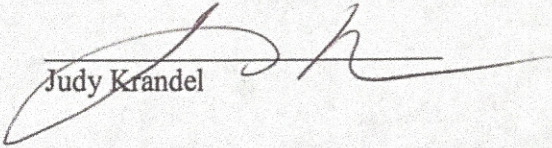
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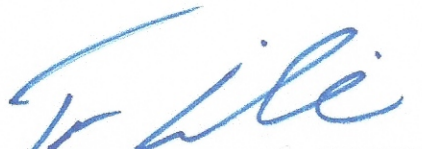
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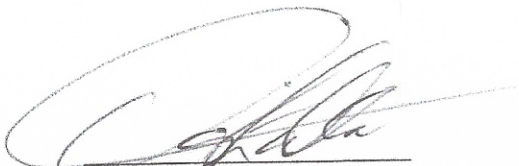
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