

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	STIPULATION AND CONSENT
THE BANK OF PRINCETON)	TO THE ISSUANCE OF
PRINCETON, NEW JERSEY)	A CONSENT ORDER
(INSURED STATE NONMEMBER BANK))	
_____)	FDIC-13-0450b

Subject to the acceptance of this STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("CONSENT AGREEMENT") by the Federal Deposit Insurance Corporation ("FDIC"), it is hereby stipulated and agreed by and between a representative of the Legal Division of the FDIC and THE BANK OF PRINCETON, PRINCETON, NEW JERSEY ("Bank"), as follows:

1. The Bank has been advised of its right to receive a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818 (b)(1), and has waived those rights.

2. The Bank, solely for the purpose of this proceeding and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and any violations of law and/or regulations, hereby consents and agrees to the issuance of a CONSENT ORDER ("ORDER") by the FDIC. The Bank further stipulates and agrees that such ORDER shall be deemed to be a final ORDER and that such ORDER shall become effective upon the issuance by the FDIC and fully enforceable by the FDIC pursuant to the provisions of section 8(i)(1) of the Act, 12 U.S.C. § 1818(i)(1), subject only to the conditions set forth in paragraph 3 of this

CONSENT AGREEMENT.

3. In the event the FDIC accepts this CONSENT AGREEMENT and issues the ORDER, it is agreed that no action to enforce such ORDER in the United States District Court will be taken by the FDIC unless the Bank or any director, officer, employee, agent, successor or assignee, or other institution-affiliated party, has violated or is about to violate any provision of the ORDER.


4. The Bank hereby waives:

- (a) The receipt of a NOTICE OF CHARGES AND OF HEARING;
- (b) All defenses in this proceeding;
- (c) A hearing for the purpose of taking evidence on such alleged charges;
- (d) The filing of PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW;
- (e) A Recommended Decision of an Administrative Law Judge;
- (f) Exceptions and briefs with respect to such Recommended Decision; and
- (g) Review of the ORDER by any Federal agency or court.

Dated: January 29th, 2014

FDIC
LEGAL DIVISION

BY:

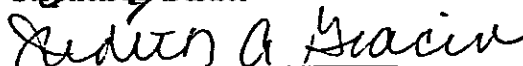

Joan Dusard
Counsel

BY: THE BANK OF PRINCETON
PRINCETON, NEW JERSEY


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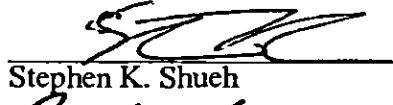

Judith A. Giacini



Richard N. Gillespie



Robert N. Ridolfi



Stephen K. Shueh



Ross V. Wishnick

Comprising the Board of Directors of
The Bank of Princeton
Princeton, New Jersey

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)

THE BANK OF PRINCETON)
PRINCETON, NEW JERSEY)

(INSURED STATE NONMEMBER BANK))
_____)

CONSENT ORDER

FDIC-13-0450b

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for The Bank of Princeton, Princeton, New Jersey ("Bank"), under section 3(q) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER" ("CONSENT AGREEMENT"), dated January 29, 2014 that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to weaknesses in the Bank's Bank Secrecy Act Compliance Program, to the issuance of this Consent Order ("ORDER") by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

BOARD SUPERVISION

1. The Bank's Board shall increase its supervision and direction in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the

supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. The supervision shall include holding meetings no less frequently than monthly, at which it shall review and approve, at a minimum, programs and practices pertaining to, among other things, Bank Secrecy Act ("BSA") compliance, along with all respective committee minutes pertaining to these matters. The Bank's Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

MANAGEMENT

2. The Bank shall have and retain management qualified to oversee all aspects of the Bank's BSA Compliance Program. Management shall ensure compliance with all applicable laws and regulations. Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities related to applicable laws and regulations.

WRITTEN BSA COMPLIANCE PROGRAM

3. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt, and implement a revised, written BSA Compliance Program, including policies and procedures, which fully meets all applicable requirements of section 326.8 of the FDIC's Rules and Regulations, 12 C.F.R. § 326.8, and which is designed to, among other things, ensure and maintain full compliance by the Bank with the BSA and the rules and regulations issued pursuant thereto.

(b) The Bank shall provide the Regional Director of the FDIC's New York Regional Office ("Regional Director") and the Commissioner of Banking and Insurance of the State of New Jersey ("Commissioner") with a copy of the revised, written BSA Compliance Program for non-objection or comment. Thereafter, the revised BSA Compliance Program shall be implemented in a manner acceptable to the Regional Director and the Commissioner, as determined at subsequent examinations and/or visitations of the Bank.

RISK ASSESSMENT

4. Within 30 days from the effective date of this ORDER, the Bank shall conduct an initial risk assessment of the Bank's operations ("Risk Assessment"). Subsequently, the Bank shall conduct periodic Risk Assessments, no less than annually, consistent with the guidance for risk assessments set forth in the *Bank Secrecy Act/Anti-Money Laundering Examination Manual* compiled by the Federal Financial Institutions Examination Council (the "BSA Manual"), and shall establish appropriate written policies, procedures, and processes regarding Risk Assessments. The Risk Assessment shall address all pertinent risk factors that affect the overall BSA/Anti-money laundering ("AML") risk profile of the Bank and ensure that risk ratings are accurate and well supported through qualitative and quantitative data.

BSA INTERNAL CONTROLS

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop a revised system of internal controls designed to ensure full compliance with the BSA ("BSA Internal Controls") taking into consideration the Bank's size and risk profile, as determined by the Risk Assessment required by paragraph 4 of this ORDER.

(b) At a minimum, such system of BSA Internal Controls shall include policies, procedures, and processes addressing the following areas:

(i) **Suspicious Activity Monitoring and Reporting:** The Bank shall, taking into account its size and risk profile, develop, adopt and implement policies, procedures, processes, and systems for monitoring, detecting, and reporting suspicious activity being conducted in all areas within or through the Bank; and ensure the timely, accurate, and complete filing of Suspicious Activity Reports (“SARs”), with an appropriate level of documentation and support for management’s decisions to file or not to file a SAR, as required by law. These policies, procedures, processes and systems should ensure that all relevant areas of the Bank are monitored for suspicious activity, including, but not limited to: cash transactions, international and domestic wire transfers, ACH and ATM transactions. Any systems the Bank plans to utilize to assist in monitoring, detecting and reporting suspicious activity should be validated and parameters which are established should be supported through a documented analysis of appropriate information.

(ii) **Due Diligence:** The Bank shall review and enhance its customer due diligence (“CDD”) policies, procedures and processes for new and existing customers to:

a. be consistent with the guidance for CDD set forth in the BSA Manual; and

b. operate in conjunction with its Customer Identification Program (“CIP”);

(iii) At a minimum, the CDD program shall provide for:

- a. a risk assessment of the customer base through an appropriate risk rating system to ensure that the risk level of the Bank's customers is accurately identified based on the potential for money laundering or other illicit activity posed by the customer's activities, with consideration given to the purpose of the account, the anticipated type and volume of account activity, types of products and services offered, and locations and markets served by the customer;
- b. an appropriate level of ongoing monitoring commensurate with the risk level to ensure that the Bank can reasonably detect suspicious activity and accurately determine which customers require enhanced due diligence ("EDD");
- c. obtaining and analyzing a sufficient level of customer information at account opening to assist and support the risk ratings assigned;
- d. a process for documenting and supporting the analysis conducted under the CDD process, including a process for validating risk ratings assigned at account opening, and resolving issues when insufficient or inaccurate information is obtained; and
- e. processes to reasonably ensure the timely identification and accurate reporting of known or suspected criminal activity, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations 12 C.F.R. Part 353.

(iv) **Enhanced Customer Due Diligence:** The Bank shall establish EDD policies, procedures and processes to conduct EDD necessary for those categories of customers the Bank has reason to believe pose a heightened risk of suspicious activity, including, but not limited to, high risk accounts. The EDD policies, procedures and processes adopted should:

a. be consistent with the guidance for EDD set forth in the BSA Manual; and

b. operate in conjunction with its CIP and CDD policies, procedures and processes;

(v) At a minimum, the EDD program shall require EDD procedures to:

a. determine the appropriate frequency for conducting ongoing reviews, based on customer risk level;

b. determine the appropriate documentation necessary to conduct and support ongoing reviews and analyses in order to reasonably understand the normal and expected transactions of the customer; and

c. reasonably ensure the timely identification and accurate and complete reporting of known or suspected criminal activity against or involving the Bank to law enforcement and supervisory authorities, as required by the suspicious activity reporting provisions of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353.

(vi) These policies, procedures, processes, and practices shall operate in conjunction with each other, and be consistent with the guidance for account/transaction monitoring and reporting set forth in the BSA Manual, including arranging for the dissemination of a high risk customer list to appropriate departments within the Bank;

(c) The Board shall approve the revised system of internal controls, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the revised system of internal controls.

BSA INDEPENDENT TESTING

6. (a) Within 30 days from the effective date of this ORDER, the Bank shall establish independent testing programs for compliance with the BSA and OFAC rules and regulations, to be performed on no less than an annual basis. The scope of the testing procedures to be performed shall be documented in writing and approved by the Board or its designee. Testing procedures should be consistent with the guidance for independent testing as set forth in the BSA Manual and, at a minimum, address the following:

(i) overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;

(ii) BSA/AML risk assessment;

(iii) BSA reporting and recordkeeping requirements;

(iv) CIP implementation;

(v) adequacy of CDD and EDD policies, procedures, and processes and whether they comply with internal requirements;

(vi) personnel adherence to the Bank's BSA/AML policies, procedures, and processes;

(vii) appropriate transaction testing, with particular emphasis on high-risk operations;

(viii) training adequacy, including its comprehensiveness, accuracy of materials, the training schedule, and attendance tracking;

(ix) an evaluation of management's efforts to resolve violations and deficiencies noted in the previous tests or audits and regulatory examinations;

(x) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Bank's policy; and

(xi) accuracy and completeness of account risk profiles.

(b) Testing results shall be documented in a written report which shall provide recommendations for improvement, and be approved by the Board or its designee within 60 days of completion.

BSA OFFICER

7. Within 30 days from the effective date of this ORDER, the Bank shall designate a qualified individual or individuals ("BSA Officer") acceptable to the Regional Director and the Commissioner with delegated authority and an adequate level of appropriate resources to implement and enforce BSA compliance, including training, in all material respects with all laws and regulations. The BSA Officer's qualifications should be commensurate with the complexity of the Bank's activities and operations and the appointment of the BSA Officer shall conform with guidance for the BSA officer position, as set forth in the BSA Manual.

BSA STAFFING

8. Within 30 days from the effective date of this ORDER, and periodically thereafter, no less than annually, the Bank will perform a review of its BSA staffing needs to ensure adequate and appropriate resources are in place at all times. The review should include, at a minimum, consideration of the Bank's size and growth plans, geographical areas served, products and services offered, and changes in the BSA/AML practices, rules and regulations.

BSA TRAINING

9. (a) The Bank shall take all steps necessary, consistent with sound banking practices, to ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA applicable to the individual's specific responsibilities to assure the Bank's compliance with the BSA.

(b) Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt and implement effective training programs designed for the Board, management and staff and their specific compliance responsibilities on all relevant aspects of laws, regulations, and Bank policies, procedures and processes relating to the BSA ("Training Program"). This Training Program shall ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA on an ongoing basis, including as they relate to high-risk products and services. The Training Program shall, at a minimum, include:

(i) an overview of the BSA for new staff along with specific training designed for their specific duties and responsibilities upon hiring;

(ii) training on the Bank's BSA policies, procedures and processes along with new rules and requirements as they arise for appropriate personnel designed to address their specific duties and responsibilities;

(iii) a requirement that the Bank fully document the training of each employee with respect to the BSA policies, procedures and processes, including the designated BSA Compliance Officer; and

(iv) a requirement that BSA training be conducted no less frequently than annually.

REPORTS

10. The Bank shall ensure that all required reports, including Currency Transaction Reports ("CTRs"), SARs, Reports of International Transportation of Currency or Monetary Instruments, Reports of Foreign Bank and Financial Accounts, and any other similar or related reports required by law or regulation are completed accurately and properly filed within required timeframes.

LOOK BACK REVIEW

11. (a) Within 30 days from the effective date of this ORDER, the Bank shall engage a qualified firm, acceptable to the Regional Director and the Commissioner, to conduct a review of all accounts and transaction activity for the time period beginning January 1, 2011 through the effective date of this ORDER to determine whether suspicious activity involving any accounts or transactions within or through the Bank was properly identified and reported in accordance with the applicable suspicious activity reporting requirements ("Look Back Review").

(b) Within 60 days of receipt of the Regional Director's and Commissioner's non-objection, the qualified firm shall commence the Look Back Review, and shall prepare any additional CTRs and SARs necessary based upon the review. Upon completion of the Look Back Review, the Bank shall submit the findings of the review and copies of any additional SARs and CTRs filed to the Regional Director and the Commissioner.

AUDIT

12. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop an internal audit program ("Audit Program") that establishes procedures to protect the integrity of the Bank's operational systems, addresses the risks and meets the demands posed by the Bank's current and planned activities, and complies with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing* (FIL-21-2003, issued March 17, 2003).

(b) The Board shall approve the Audit Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Audit Program.

CORRECTIVE ACTION

13. The Bank shall take all steps necessary, consistent with other provisions of this ORDER and sound banking practices, to correct any unsafe or unsound banking practices and prevent any violations of law or regulation cited in the August 19, 2013 Report of Examination issued by the FDIC.

DIRECTORS' BSA COMMITTEE

14. Within 30 days from the effective date of this ORDER, the Board shall establish a directors' BSA Committee ("BSA Committee") a majority of which members who are not now, and have never been, involved in the daily operations of the Bank, and whose composition is acceptable to the Regional Director and the Commissioner, with the responsibility of overseeing the Bank's compliance with this Order, the BSA regulations and the Bank's BSA Compliance Program. The BSA Committee shall receive comprehensive monthly reports from the BSA Compliance Officer regarding the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program. The BSA Committee shall present a report to the Board, at each regularly scheduled Board meeting, regarding the Bank's compliance with BSA regulations and the Bank's BSA Compliance Program, which shall be recorded in the appropriate minutes of the Board meeting and retained in the Bank's records.

PROGRESS REPORTS

15. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board, and made a part of the Board minutes.

SHAREHOLDER DISCLOSURE

16. Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, in conjunction with the Bank's next shareholder

communication and in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Division of Risk Management Supervision, Accounting-Registration, Disclosure and Securities Section, 550 17th Street, N.W., Washington, D.C. 20429 and the New Jersey Department of Banking and Insurance, 20 West State Street, Trenton, New Jersey 08625, for non-objection or comment at least 30 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

MISCELLANEOUS

It is expressly understood that if, at any time, the Regional Director and the Commissioner shall deem it appropriate in fulfilling the responsibilities placed upon him under applicable law to undertake any further action affecting the Bank, nothing in this ORDER shall bar, estop, or otherwise prevent him 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 ORDER shall be effective on the date of issuance.

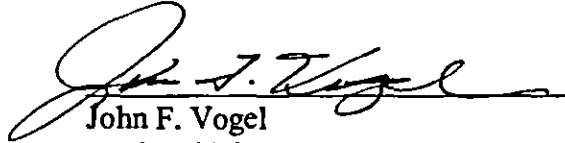
The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority

Dated: 1/30, 2014

By:

A handwritten signature in black ink, appearing to read "John F. Vogel", written over a horizontal line.

John F. Vogel
Regional Director
New York Region
Federal Deposit Insurance Corporation