

**FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.**

**And**

**SOUTH DAKOTA DIVISION OF BANKING  
PIERRE, SOUTH DAKOTA**

<b>In the Matter of</b>	)	
	)	
<b>ONE AMERICAN BANK</b>	)	<b>CONSENT ORDER</b>
<b>CENTERVILLE, SOUTH DAKOTA</b>	)	
	)	
<b>(Insured State Nonmember Bank)</b>	)	<b>FDIC-23-0043b</b>
	)	<b>2023-01</b>
	)	
	)	

The Federal Deposit Insurance Corporation (FDIC) is the appropriate Federal banking agency for One American Bank, Centerville, South Dakota (Bank), under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q). The South Dakota Division of Banking is the appropriate State banking authority for the Bank under South Dakota Codified Law 51A-2-1.

Based on the findings of the joint examination of the Bank as contained in the February 27, 2023, Report of Examination (Report of Examination), the FDIC and the South Dakota Division of Banking (collectively Supervisory Authorities) determined the requirements for an order under 12 U.S.C. § 1818(b) and South Dakota Codified Laws 51A-2-25 and 51A-2-26 have been satisfied.

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a “Stipulation to the Issuance of a Consent Order” (Stipulation), dated August 3, 2023. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law and/or

regulations, to the issuance of this Consent Order (ORDER) by the Supervisory Authorities.

Based on the above, the Supervisory Authorities each hereby order:

**1. Board Oversight.**

The Board shall monitor and confirm the completion of actions taken by management to comply with the terms of this ORDER. All actions taken by the Board pursuant to this ORDER shall be duly noted in the minutes of its meetings. The Board shall ensure the Bank has sufficient processes, personnel, resources, and systems to effectively implement and adhere to all provisions of this ORDER.

**2. Assessment of Management.**

(a) The Bank must have and retain qualified management. Each member of management is required to have the qualifications and experience commensurate with assigned duties and responsibilities at the Bank. The Board must provide management the appropriate written authority to implement the provisions of this ORDER.

Within 45 days from the effective date of this ORDER, the Board must engage an independent third party consultant (Consultant) and provide documented due diligence analysis to the Supervisory Authorities to support that the selected Consultant possesses the appropriate expertise and qualifications to analyze and assess the Bank's management and staffing needs, management's performance, appropriateness of management compensation, and management's ability to: (i) comply with the requirements of this ORDER; (ii) comply with applicable laws and regulations; (iii) restore all aspects of the Bank to a safe and sound condition; and (iv) operate the Bank in a safe and sound

manner. Prior to engagement of any Consultant, a copy of the Consultant's proposed engagement letter and a description of the Consultant's expertise and qualifications must be provided to the Supervisory Authorities. The engagement must require that the Consultant's analysis and assessment (Consultant's Study) be summarized in a written report to the Board within 90 days of the date of the engagement letter. The contract or engagement letter, at a minimum, must include: (i) a description of the work to be performed under the contract or engagement letter; (ii) the responsibilities of the Consultant; (iii) identification of the specific procedures to be used when carrying out the work to be performed; (iv) the qualifications of the Consultant employee(s) who are to perform the work; (v) a provision for unrestricted access by the Supervisory Authorities to the Consultant's workpapers; and (vi) a statement that the Consultant is not affiliated in any manner with the Bank.

(b) Within 30 days of receipt of the Consultant's Study, the Board must prepare an acceptable written management plan (Management Plan) that: (i) identifies and addresses the findings of the Consultant's Study; (ii) presents a plan of action in response to each recommendation from the Consultant's Study, and a time frame for completing each action; (iii) identifies and describes the type and number of officer positions needed to manage and supervise the affairs of the Bank, and details any vacancies or additional needs; (iv) identifies the appropriate level of current and deferred compensation to each officer position; (v) documents a procedure to ensure compliance with 12 U.S.C. § 1831i (Section 32 of the Federal Deposit Insurance Act), when applicable, regarding changes/additions in directors and senior executive officers of the

Bank; and (vi) establishes procedures to review and update the Management Plan at least annually from the effective date of this ORDER.

(c) A copy of the Consultant's Study and Management Plan and any subsequent modifications thereto must be submitted to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities and after consideration of such comments, the Board must approve the Management Plan and record the approval in its minutes. Thereafter, the Board must ensure that the Management Plan is fully implemented within the specified time frames and provide documentation of management's progress towards implementing the Management Plan in all progress reports required under this ORDER. In the event the Management Plan, or any portion thereof, is not implemented, the Board must immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan.

### **3. Strategic Plan.**

Within 75 days of the effective date of this ORDER, the Bank must develop and the Board must approve a comprehensive strategic plan (Strategic Plan). The Strategic Plan must contain an assessment of the Bank's current financial condition and provide specific objectives for asset growth, balance sheet composition, loan portfolio mix, market focus, reducing concentrations of credit, earnings projections, capital needs, and liquidity position. The Strategic Plan must be revised thirty (30) days prior to the end of each calendar year for which this Order is in effect. The Bank must implement and operate in accordance with the Strategic Plan.

**4. Minimum Capital Requirements.**

(a) Within 60 days of the effective date of this ORDER, the Board must achieve and maintain on each business day the following minimum capital ratios (as defined in 12 C.F.R. § 324), after establishing an appropriate Allowance for Credit Losses (ACL):

- (i) “Leverage Ratio” at least equal to 11.0 percent and
- (ii) “Total Capital Ratio” at least equal to 14.0 percent.

(b) Should any capital ratio drop below the minimum required by paragraph (a) of this provision, after initial compliance is achieved, the Bank must immediately notify the Supervisory Authorities and within 45 days:

- (i) increase capital in an amount sufficient to comply with paragraph (a) of this provision or,
- (ii) submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank will increase its capital ratios to meet or exceed the minimum requirements of paragraph (a) above, as well as a contingency plan, including the possible sale or merger of the Bank, in the event the primary sources of capital are not available (Capital Plan). Within 30 days of receipt of any comments on the Capital Plan from the Supervisory Authorities, and after consideration of all such comments, the Board must approve the Capital Plan and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Capital Plan.

(c) Any increase in Tier 1 Capital necessary to meet the requirements of paragraph (a) of this provision may not be accomplished through a deduction from the ACL without prior written approval from the Supervisory Authorities.

(d) Within 60 days of the effective date of this ORDER, the Board must develop capital stress testing procedures that detail the frequency that stress tests should occur and model scenarios that encompass risks specific to the Bank's business activities and risk profile. Stress testing procedures and scenarios must be regularly updated as changes to the Bank's activities occur.

**5. Restriction on Certain Payments.**

(a) While this ORDER is in effect, the Bank is not permitted to declare or pay dividends, nor is it allowed to incur or pay management fees and bonuses, without the prior written approval of the Supervisory Authorities. The Supervisory Authorities must receive all requests for prior approval at least 30 days prior to the proposed action, and each request must contain an analysis and description of the impact such dividend, management fee, or bonus would have on the Bank's capital, income, and liquidity positions. Requests to incur or pay management fees, or declare or pay bonuses, must also describe the Bank's rationale for incurring and making such payments.

(b) While this ORDER is in effect, the Bank must not make any distributions of interest, principal, or other sums on subordinated debentures, without the prior written approval of the Supervisory Authorities.

**6. Sensitivity to Market Risk.**

(a) Within 30 days of the effective date of this ORDER, the Board must

engage a qualified, independent third party to validate the interest rate risk model and monitoring program.

(b) Within 60 days of receipt of the third party review, the Board must revise and implement a written policy for managing and monitoring interest rate risk in accordance with the comments in the Report of Examination and the third party review. The policy must identify specific actions and timelines for reducing interest rate risk exposure to acceptable levels.

**7. Liquidity Funds Management/Contingency Funding Plan.**

(a) Within 45 days from the effective date of this ORDER, the Board must revise its written liquidity and contingency funding policies and plans (Liquidity Policies and Plans) to address the comments in the Report of Examination. The Liquidity Policies and Plans must:

- (i) increase on-balance sheet liquidity (cash and due from banks, interest-bearing bank balances, and unpledged debt securities) to a minimum of 15 percent of total assets, to be measured and maintained on each business day;
- (ii) maintain adequate on-balance sheet liquidity levels to ensure sufficient liquidity sources are available in normal and stressed operating conditions;
- (iii) ensure sufficient controls and audit systems are in place;
- (iv) reduce reliance on wholesale funding sources, including those listed as funding concentrations in the Report of Examination; and

(v) address all potential contingency funding risks, including the student lending program.

(b) The Bank must submit the revised Liquidity Policies and Plans to the Supervisory Authorities for review and comment with the next due progress report required below under the terms of this ORDER. The Board must approve the Liquidity Policies and Plans and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Liquidity Policies and Plans.

**8. Brokered Deposits and Deposit Interest Rate Pricing.**

(a) While this ORDER is in effect, the Bank must ensure compliance with brokered deposit restrictions, including interest rate restrictions, as detailed in Part 337 of the FDIC Rules and Regulations that apply to less than well capitalized insured depository institutions.

(b) Within 30 days from the effective date of this ORDER, the Bank must develop a written plan (Brokered Deposit Plan) for compliance with this ORDER and Part 337. The Brokered Deposit Plan must detail the composition of the Bank's brokered deposits by maturity and outline the means by which compliance with Part 337 will be accomplished.

(c) The Bank must submit the Brokered Deposit Plan to the Supervisory Authorities for review and comment with the next due progress report required under the terms of this ORDER. Within 30 days of receipt of all comments from the Supervisory Authorities and after consideration of all such comments, the Board must approve the

Brokered Deposit Plan and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the Brokered Deposit Plan.

**9. Profit Plan.**

(a) Within 75 days of the effective date of this ORDER, and within the first 45 days of each calendar year thereafter, the Bank must develop a written profit plan (Profit Plan) covering the overall operations of the Bank and its goals and strategies for improving earnings, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER. The Profit Plan must include a realistic and comprehensive budget for all categories of income and expense and include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components. The Profit Plan and budget, and any subsequent modifications thereto, must be approved by the Board and recorded in its minutes.

(b) At the Board's first meeting following the end of each calendar quarter, the Board must evaluate the Bank's actual performance in relation to the Profit Plan and budget required by this provision, record the results of that evaluation, and note any responsive actions taken or to be taken by the Bank, in the Board's minutes.

**10. Internal Control Review/Audits.**

(a) Within 60 days from the effective date of this ORDER, the Bank must engage a qualified, independent third party to conduct an internal control review and

reconcile all assets, liabilities, and capital accounts to ensure that account values are accurate as of December 31, 2022, and March 31, 2023.

(b) Within 30 days from the effective date of this ORDER, the Bank must engage a qualified, independent third party to issue a financial statement audit as of December 31, 2022. A financial statement audit should be obtained from a qualified, independent third party annually thereafter.

(c) The Board, or designated audit committee, is responsible for directing and overseeing all audit work performed and prompt resolution of the internal control review findings.

**11. Elimination or Correction of Violations of Laws, Rules and Regulations.**

(a) Within 120 days of this ORDER's effective date, and within 90 days of the receipt of any future Reports of Examination by either of the Supervisory Authorities, the Bank must eliminate or correct all violations of laws and rules and regulations cited in the Report of Examination or such future reports of examination.

(b) For any violation that cannot be corrected, the Bank must document the reason for such inability for review by the Board at its next monthly meeting. The Board's review, discussion, and any action upon the uncorrected violation must be recorded in its minutes. A copy of the minutes must be provided to the Supervisory Authorities with the next due progress report required below under the terms of this ORDER.

(c) Within 120 days of this ORDER's effective date, the Bank must adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, and regulations.

**12. Mortgage Banking Valuations.**

(a) Within 30 days from the effective date of this ORDER, and for every quarterly Consolidated Report of Condition and Income (Call Report) thereafter, the Bank must engage a qualified, independent third party to complete fair valuations of the Bank's Held for Sale residential loans.

(b) Within 30 days from the effective date of this ORDER, the Bank must develop and implement written policies and procedures for proper accounting designation of residential mortgage loans to comply with generally accepted accounting principles and Call Report instructions. The policies and procedures must specifically address determinations of loans held for sale and held for investment.

**13. Student Lending.**

(a) Within 30 days from the effective date of this ORDER, the Board must create policies and procedures to address comments in the Report of Examination. The student lending policies and procedures must:

- (i) establish appropriate capital-based limits for the student loan portfolio;
- (ii) define student loan charge-off and non-accrual designations;
- (iii) improve documentation of periodic underwriting quality control checks to allow for appropriate managerial and Board reporting;

- (iv) confirm participation practices meet the requirements of sales contracts; and
- (v) ensure the allocation for student loans on the ACL is appropriately supported.

(b) A copy of these policies and procedures must be provided to the Supervisory Authorities for review and comment prior to further expansion of the Bank's student loan portfolio. Within 30 days of receiving, and after consideration of the Supervisory Authorities' comments, the Board must approve the student lending policies and procedures and record the approval in its minutes. Thereafter, the Bank must implement and fully comply with the student lending policies and procedures.

(c) Within 30 days from the effective date of this ORDER, and for every quarterly Call Report thereafter, the bank must engage a qualified, independent third party to complete fair valuations of the Bank's Held for Sale student loans.

**14. Charge-off of Adversely Classified Items.**

(a) As of the effective date of this ORDER, all items classified "Loss" in the Report of Examination must be charged off or collected and recognized in the Bank's books.

(b) Within thirty (30) days of the receipt of any future Reports of Examination or Visitations issued by either of the Supervisory Authorities, all items classified "Loss" must be charged off or collected and recognized in the Bank's books.

(c) For the purposes of this ORDER, collection is not achieved by the elimination or reduction of items through Bank credit extension proceeds.

**15. Disclosure of ORDER to Sole Shareholder.**

Following the ORDER's effective date, the Bank must provide a copy of this ORDER to its sole shareholder: (i) in conjunction with the Bank's next shareholder communication if sent within 90 days of the ORDER's effective date or by special mailing if no other shareholder communication is sent within 90 days after the ORDER's effective date, and (ii) with its notice or proxy statement preceding the Bank's next shareholder meeting.

**16. Progress Reports Detailing Compliance with ORDER.**

(a) Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within 45 days of the end of each calendar quarter thereafter, the Bank must furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports must provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

- (i) descriptions of the identified weaknesses and deficiencies;
  - (ii) provision(s) of the ORDER pertaining to each weakness or deficiency;
  - (iii) actions taken or in-process for addressing each deficiency;
  - (iv) results of the corrective actions taken;
  - (v) the Bank's status of compliance with each provision of the ORDER;
- and
- (vi) appropriate supporting documentation.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

**17. Binding Effect.**

This ORDER will be effective on the date of issuance. The provisions of this ORDER will be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof, unless the bank has been acquired by another insured depository institution or bank holding company, after proper regulatory approval, and is merged out of existence.

The provisions of this ORDER will not bar, estop, or otherwise prevent the FDIC, the South Dakota Division of Banking, 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.

The provisions of this ORDER will 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 Supervisory Authorities.

This ORDER is issued and thus effective this 3<sup>rd</sup> day of August, 2023.

FEDERAL DEPOSIT  
INSURANCE CORPORATION  
Issued Pursuant to Delegated Authority

SOUTH DAKOTA DIVISION  
OF BANKING

By: /s/  
John R. Jilovec  
Deputy Regional Director  
Kansas City Regional Office

By: /s/  
Bret Afdahl  
Director of Banking