{{10-31-00 p.C-4901}}

[¶:11,698**] In the Matter of Richland State Bank, Bruce, South Dakota,** Docket No. 00-017b (3-10-00)

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent had engaged in unsafe and unsound practices. *(This order was terminated by order of the FDIC dated 8-21-00; see ¶16,262.)*

[.1**] Credit Card Operations—Restricted**
[.2**] Credit Card Operations—Written Review Required**
[.3**] Credit Card Operations—Internal Audit—Minimum Procedures Specified**
[.4**] Reports of Condition and Income—Amendment Required**
[.5**] Dividends—Dividends Restricted**
[.6**] Shareholders—Disclosure of Cease and Desist Order Required**

In the Matter of

RICHLAND STATE BANK
BRUCE, SOUTH DAKOTA
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST
FDIC-00-017b

Richland State Bank, Bruce, South Dakota ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank and its right to a hearing on such alleged charges under section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b), and having waived those rights entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated March 8, 2000, whereby solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns cease and desist from the following unsafe and unsound banking practices:

A. failing to maintain adequate internal control, recordkeeping, and audit systems; and

B. failing to provide adequate supervision and direction over the affairs of the Bank to prevent unsafe or unsound practices.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

[.1**]**1. The Bank shall not establish any new credit card accounts, including without limitation, any pending credit card account unless the application for such account was approved by the Bank prior to the effective date of this ORDER. For purposes of this ORDER, "any pending credit card account" means that no card has been issued to the applicant.

[.2**]**2. (a) Within 20 days from the effective date of this ORDER, the Bank shall conduct or supervise a study of the Bank's credit card operations. The study shall be in writing and include, at a minimum:

(i) identification of the type and number of officer positions needed to properly manage and supervise the credit card portfolio;

(ii) evaluation of the quality of services provided by Specialized Card Services and Equifax Card Services;

(iii) evaluation of the appropriateness of the compensation paid to the referenced entities with consideration given to the quality of services provided;

(iv) review of the financial and opera- {{10-31-00 p.C-4902}}tional ability of the referenced entities to continue providing services to the Bank; and (v) a contingency plan that details alternative servicer/processor options in the event one or both of the referenced entities elect to terminate their servicing/processing arrangements with the Bank.

(b) Upon completion of the study, the Bank shall immediately submit a copy of the study to the Regional Director of the FDIC's Kansas City Regional Office ("Regional Director") and the South Dakota Director of Banking ("State Director") for review and comment.

[.3**]**3. (a) Within 20 days from the effective date of this ORDER, the Bank shall develop written internal audit procedures to improve credit card servicing and processing operations. The procedures shall require, at a minimum:

(i) a determination whether the records of the Bank are complete and accurate, and that transactions are promptly and properly recorded in the accounts;

(ii) a review of electronic data processing procedures and controls, including testing automated procedures and verification of the accuracy of data entry on a periodic basis;

(iii) a requirement that any exception or irregularity be reported immediately in writing to the board of directors; and

(iv) maintenance of a complete set of work papers, including tests performed and corrective measures taken.

(b) Within 20 days from the effective date of this ORDER, the board of directors shall approve the written internal audit procedures, which approval shall be recorded in the minutes of the board of directors. Thereafter, the bank shall follow the written internal audit procedures and any subsequent modification thereto.

[.4**]**4. Within 20 days from the effective date of this ORDER, the board of directors shall review all consolidated Reports of Condition and Income filed with the FDIC on and after December 31, 1999, and, if necessary, shall file amended Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the date of each such Report.

[.5**]**5. The Bank shall not pay or declare any dividends without the prior written consent of the Regional Director and the State Director.

[.6**]**6. Following the effective date of this ORDER, the Bank shall send to its shareholders a description of this ORDER, (a) in conjunction with the Bank's next shareholder communication, and also (b) 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, Registration and Disclosure Section, 550 17th Street, N.W. (F-6043), Washington, D.C. 20429-9990, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

7. The Bank shall furnish written progress reports to the Regional Director and the State Director detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof 20 days from the effective date of this ORDER. In addition, the Bank shall furnish such reports on request of either the Regional Director or the State Director. All progress reports and other written responses to this ORDER shall be reviewed by the board of directors of the Bank and made a part of the minutes of the board meeting.

This ORDER shall become effective immediately upon of its issuance.

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

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

Pursuant to delegated authority.

Dated this 10th day of March, 2000.