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[¶10,048] **In the Matter of LaFayette County State Bank, Mayo, Florida, Docket No. FDIC-90-19b (2-15-90).**

Bank to cease and desist from practices and violations of state lending limit law and failing to provide adequate supervision. (*This order was terminated by order of the FDIC dated 2-20-92; see ¶ 15,397.*)

[.1] **Extensions of Credit—State Lending Law Violations—Regulation O**

[.2] **Extensions of Credit—New—Prior Approval**

[.3] **Shareholders—Disclosure—Cease and Desist Order**

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[.4] **Compliance—Reports—Frequency**

In the Matter of

LAFAYETTE COUNTY STATE BANK

MAYO, FLORIDA

(Insured State Nonmember Bank)

ORDER TO CEASE AND DESIST

LaFayette County State Bank, Mayo, Florida ("Bank"), having been advised of its right to a written Notice of Charges and of Hearing detailing unsafe or unsound banking practices and violation of applicable law alleged to have been committed by the Bank and of its right to a hearing regarding such alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act, 12 U.S.C. §1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with a representative of the Legal Division of the Federal Deposit Insurance Corporation ("FDIC"), dated January 25, 1990, whereby solely for the purpose of this proceeding and without admitting or denying any of the alleged charges of unsafe or unsound banking practices and violation of applicable law, 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 and had violated applicable law. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank and its institution-affiliated parties, as such term is defined in section 204(u) of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73, section 926(u), 103 Stat. 183, _____ (1989) (to be codified at 12 U.S.C. §1813(u)), cease and desist from the following unsafe or unsound banking practices and violation of law: A. Failing to provide adequate supervision and direction over the lending function of the Bank by the board of directors of the Bank to prevent violation of the Florida State lending limit law, 19 Florida Statutes Annotated ("F.S.A.") §658.48; and B. Engaging in violation of the Florida State lending limit law, 19 F.S.A. §658.58. IT IS FURTHER ORDERED that the Bank and its institution-affiliated parties take affirmative action as follows:

[.1] 1. (a) As of the effective date of this ORDER, the Bank shall not, directly or indirectly, grant any extension of credit to, or for the benefit of, Bank Borrowers * * * and/or * * * of which * * * is a general partner, unless such extension of credit, when aggregated with all outstanding extensions of credit to * * * and * * * at the time, does not exceed the Florida State lending limit for the Bank, set forth at 19 F.S.A. §658.48.

(b) For the purpose of paragraphs 1(a) and 2 of this ORDER, the term "extension of credit" shall have the meaning ascribed to it in section 215.3 of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. §215.3, and shall specifically include any renewals or time-extensions granted on existing credit extensions or lines of credit.

2. No more than 120 days from the effective date of this ORDER, the Bank shall eliminate and/or correct the existing violation of the Florida State lending limit law, 19 F.S.A. §658.48, involving aggregate extensions of credit by the Bank to * * * and * * *, of which * * * is a general partner.

[.2] 3. (a) As of the effective date of this ORDER, all new loans or lines of credit extended by the Bank (including renewals and extensions of existing loans and lines of credit) in an amount of \$50,000 or more shall require the prior approval of the Bank's board of directors or of a committee of the board, a majority of whose members are not bank officers or employees, and which is designated by the board to review and approve loans ("loan committee").

(b) All loans or lines of credit required by paragraph 3(a) of this ORDER to be submitted to the board or the loan committee for a review and approval shall be supported by a written summary that provides information sufficient for the board or the loan committee to make a prudent decision. Such written information shall include, at a minimum, the following:

(i) The total amount and status of the borrower's current indebtedness to the Bank and the amount of the new extension of credit proposed:

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(ii) The purpose of the proposed extension of credit;
(iii) The source of repayment;
(iv) The method of repayment;
(v) The interest rate payable by the borrower;
(vi) The maturity of the debt;
(vii) A description and valuation of collateral, if secured; and (viii) A statement of whether the loan or line of credit complies in all respects with applicable laws and regulations and with the written loan policy of the Bank. Any deviation from the Bank's loan policy must be supported by a statement of the reasons justifying such deviation.

[.3] 4. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (1) in conjunction with the Bank's next shareholder communication and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, statement or notice shall be sent to the FDIC, Registration and Disclosure Unit, Washington, D.C. 20429, and to the Florida State Comptroller ("Comptroller"), for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Comptroller shall be made prior to dissemination of the description, communication, notice or statement.

[.4] 5. Within 30 days from the effective date of this ORDER, and every 30 days thereafter, unless and until each and every corrective action required by this ORDER has been accomplished, the Bank shall furnish written progress reports to the Regional Director and the Comptroller detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Comptroller have released the Bank in writing from making further reports. 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 appropriate board meeting.

6. The provisions of this ORDER shall become effective ten (10) days from the date of its issuance and shall be binding upon the Bank and its institution-affiliated parties. 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 at Atlanta, Georgia, this 15th day of February, 1990.