

{{11-30-04 p.C-5010}}

[¶11,744] **In the Matter of Bank of Calhoun County, Hardin, Illinois**, Docket No.00-097b, No. 2000-BBTC-11 (11-16-00).

(This order was modified by orders of the FDIC dated 11-22-02, 8-19-03 and 10-14-04; see ¶16,323, ¶16,350 and ¶16,399.)

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 11-22-02; see ¶16,323.)*

[.1] **Capital—Increase Required**

[.2] **Management—Management Plan Required**

[.3] **Management—Qualifications Specified**

[.4] **Board of Directors—Outside Directors Added to Board**

[.5] **Dividends—Dividends Restricted**

[.6] **Loans—Extensions of Credit—To Borrowers with Existing Adversely Classified Credits**

[.7] **Assets—Adversely Classified Assets—Reduction Required**

[.8] **Loan Loss Reserve—Establishment of or Increase Required**

[.9] **Loans—Risk Position—Written Plan Required**

[.10] **Technical Exceptions—Correction of Technical Exceptions Required**

[.11] **Loan Concentration—Reduction Required**

[.12] **Loans—Comply with Written Policy**

[.13] **Loan Review Committee—Establish**

[.14] **Loan Policy—Preparation or Revision of Policy Required**

[.15] **Audit—Required**

[.16] **Audit—Internal Audit—Minimum Procedures Specified**

[.17] **Bank Operations—Internal Controls, Correction of Weaknesses Required**

[.18] **Profit Plan—Preparation of Plan Required**

[.19] **Shareholders—Disclosure of Cease and Desist Order Required**

[.20] **Board of Directors—Committee to Review Compliance with Cease and Desist Order Required**

{{1-31-01 p.C-5011}}

In the Matter of

**BANK OF CALHOUN COUNTY
HARDIN, ILLINOIS**

(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST

FDIC-00-097b
No. 2000-BBTC-11

The Bank of Calhoun County, Hardin, Illinois ("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 of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. §1818(b), and under 38 Ill. Adm. Code, section 392.30, regarding hearings before the Office of Banks and Real Estate for the State of Illinois ("OBRE"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and OBRE dated November 6, 2000, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and OBRE.

The FDIC and OBRE considered the matter and determined that there was reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and OBRE, 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 or unsound banking practices:

A.— Engaging in hazardous lending and lax collection practices, including, but not limited to the following:

- The failure to obtain proper loan documentation;
- The failure to obtain adequate collateral;
- The failure to establish and monitor collateral margins of secured borrowers;
- The failure to establish and enforce adequate loan repayment programs;
- The failure to obtain current and complete financial information;
- The failure to enforce loan policy guidelines;
- The failure to consider diversification of risk when extending credit; and
- The failure to follow acceptable credit administration practices.

B. — Operating with an inadequate level of capital protection for the kind and quality of assets held.

C. — Operating with a high level of adversely classified assets, assets listed for "Special Mention," delinquent loans, and nonaccrual loans.

D. — Operating with excessive loan losses.

E. — Operating with an inadequate allowance for loan and lease losses ("ALLL") for the volume, kind, and quality of loans and leases held.

- F. — Operating with inadequate internal routines and controls.
- G. — Operating with weak lending guidelines and practices.
- H. — Operating with an inadequate audit program.
- I. — Operating with management whose policies and practices are detrimental to the Bank and which jeopardize the safety of its deposits.
- J. — Operating with a board of directors that has failed to exercise adequate supervision over active Bank officers.
- K. — Operating without an acceptable management succession plan.
- L. — Failing to implement and monitor appropriate Bank policies.
- M. — Failing to implement timely corrective measures to resolve continuing asset concerns.
- N. — Operating with negative earnings.

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

[.1] 1. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and submit to the FDIC and OBRE,
[{{1-31-01 p.C-5012}}](#)

a plan to maintain its Tier 1 leverage capital ratio at a level not less than 7 percent of total assets.

(b) Within 30 days from the last day of each calendar quarter following the effective date of this ORDER, the Bank shall determine from its Report of Condition and Income its level of Tier 1 capital as a percentage of its total assets ("capital ratio") for that calendar quarter. If the capital ratio is less than 7 percent, the Bank shall, within 60 days of the date of the required determination, increase its capital ratio to not less than 7 percent calculated as of the end of that preceding quarterly period. Should the Bank determine to increase its capital ratio through a stock issuance, same shall be accomplished within 90 days of the date of the required determination, subject to Federal and state securities registration or exemption requirements and applicable waiting periods and any required review and approval by the FDIC Registration and Disclosure Section and OBRE. For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(c) Any such increase in Tier 1 capital may be accomplished by the following:

(i) the sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or

(ii) The elimination of all or part of the assets classified "Loss" as of April 25, 2000, without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or

(iii) The collection in cash of assets previously charged off; or

(iv) The direct contribution of cash by the directors and/or the shareholders of the Bank; or

(v) Any other means acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Commissioner of Banks and Real Estate for the State of Illinois ("Commissioner"); or

(vi) Any combination of the above means.

(d) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC at Washington, D.C., and to OBRE for review. Any changes requested to be made in the materials by the FDIC and OBRE shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph of the ORDER, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(f) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

[.2] 2. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and Commissioner. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank. The Management Plan shall be developed within 60 days from the
[{{1-31-01 p.C-5013}}](#)

effective date of this ORDER. The Management Plan shall include, at a minimum:

(i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Evaluation of all Bank officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and to restore and maintain the Bank in a safe and sound condition; and

(iv) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(b) The Management Plan shall be submitted to the Regional Director and Commissioner for review and comment upon its completion or receipt. Within 30 days from the receipt of any comment from the Regional Director or Commissioner and after the adoption of any recommended changes, the Bank shall approve the

Management Plan and any subsequent modifications, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and any subsequent modification.

[.3] 3. (a) Within 90 days from the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include: (i) a new chief lending officer who shall have an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and (ii) any other positions as appropriate. Such persons shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) Operate the Bank in a safe and sound manner;

(iii) Comply with applicable laws and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) During the life of this ORDER, the Bank shall notify the Regional Director and the Commissioner, in writing, of any changes in any of the Bank's management. For purposes of this ORDER, "management" is defined as members of the board of directors and "senior executive officers," as that term is defined in section 32 of the Act ("section 32"), 12 U.S.C. §1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. §303.101(b). Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations ("Subpart F"), 12 C.F.R. Part 303, Subpart F.

[.4] 4. Within 90 days from the effective date of this ORDER, the Bank shall add one new independent director. By March 31, 2001, the Bank shall add an additional independent director. Thereafter, the Bank shall maintain a board of directors that is composed of at least three independent directors. For purposes of this ORDER, a person who is an independent director shall be any individual: (a) who is not an officer of the Bank or any subsidiary of the Bank or any of its affiliated organizations; (b) who does not own more than 5 percent of the outstanding shares of the Bank; (c) who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and (d) who is not indebted to the Bank directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 capital and ALLL; or (e) who is deemed to be an independent director for purposes of this ORDER by the Regional Director and Commissioner. After compliance with sec
[{{1-31-01 p.C-5014}}](#)

tion 32 and Subpart F, the addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's bylaws, by means of appointment or by election at a regular or special meeting of the Bank's shareholders.

[.5] 5. As of the effective date of this ORDER, the Bank shall pay no cash dividends which would result in a Tier 1 capital ratio of less than 7 percent, without the prior written consent of the Regional Director and Commissioner.

[.6] 6. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who

is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off or classified "Loss" so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or is listed for Special Mention and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable board of directors' meeting.

[.7] 7. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" as of April 25, 2000, that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without prior written notification to the Regional Director and Commissioner. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

8. (a) Within 30 days from the effective date of this ORDER, the Bank shall replenish its ALLL by an expense entry in an amount equal to not less than \$336,000.

[.8] (b) Within 60 days from the effective date of this ORDER, the Bank shall make an additional provision for loan and lease losses which, after review and consideration by the board of directors, reflects the potential for further losses in the remaining loans and/or leases classified "Substandard" and all other loans and leases in its portfolio. In making this determination, the board of directors shall consider the Bank's average losses over the last five years; loans past due over 90 days; nonaccrual credits; concentrations of credit; and other non-classified credits.

(c) Prior to submission or publication of all Reports of Condition and Income required by the FDIC and OBRE after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the reserve recommended, if any, and the basis for determination of the amount of reserve provided.

(d) Within 30 days following the last day of each calendar quarter, the Bank shall submit to the Regional Director and Commissioner copies of all Reports of Condition and Income filed with the FDIC and OBRE, including those Reports filed pursuant to this paragraph.

(e) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

[.9] 9. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment, a written plan to reduce the Bank's risk position in each asset in excess of \$50,000 which is classified "Substandard" in the FDIC and OBRE Reports of Examination as of April 25, 2000. In developing such plan, the Bank shall, at a minimum:

(i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

(ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(b) Such plan shall include, but not be limited to:

(i) Dollar levels to which the Bank shall reduce each asset within six months from the effective date of this ORDER; and

(ii) Provisions for the submission of monthly written progress reports to the

{{1-31-01 p.C-5015}}

Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and OBRE.

(d) Within 30 days from the receipt of any comment from the Regional Director and Commissioner, and after the adoption of any recommended changes, the Bank shall approve the written plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow this written plan.

10. Within 60 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for "Special Mention" in the FDIC and OBRE Reports of Examination of April 25, 2000.

[.10] 11. Within 60 days from the effective date of this ORDER, the Bank, to the extent possible, shall correct the technical exceptions listed in the FDIC and OBRE Reports of Examination of April 25, 2000.

[.11] 12. Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written plan to reduce the loan concentration of credit identified in the FDIC and OBRE Reports of Examination as of April 25, 2000 to not more than 25 percent of the Bank's total Tier 1 capital. Such plan shall prohibit any additional advances that would increase the concentration or create new concentrations and shall include, but not be limited to:

(a) Dollar levels to which the Bank shall reduce each concentration within 6 and 12 months from the effective date of this ORDER; and

(b) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors. As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; or (3) sell or participate portions of the concentration to other interested buyers outside the Bank. Within 30 days from receipt of any comment from the Regional Director and Commissioner, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

[.12] 13. Within 90 days from the effective date of this ORDER, the Bank shall implement and monitor compliance with written loan plan guidelines previously established by the Bank, to reduce the volume of its delinquent loans. Corrective measures to implement and monitor compliance shall include, at a minimum, provisions which: (1) prohibit the extension of credit for the payment of interest; (2) prohibit the extension and/or renewal of loan terms and loan payments, especially in regard to classified borrowers, without prior board approval; (3) delineate areas of responsibility for loan officers; and (4) establish acceptable guidelines for the collection of delinquent credits. Corrective measures shall include, but not be limited to the following:

(a) Dollar levels to which the Bank shall reduce delinquencies within 6 and 12 months from the effective date of this ORDER; and

(b) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

[.13] 14. As of the effective date of this ORDER, the Bank's loan committee shall meet on a regular basis and shall include at least one director who is "independent" as that term is defined in this ORDER. Within 90 days from the effective date of this ORDER, the loan committee shall include at least two directors who are "independent" as that term is defined in this ORDER. The loan committee shall, at a minimum, perform the following functions:

(a) Evaluate, grant, and/or approve loans in accordance with the Bank's loan policy amended to comply with this ORDER. The loan committee shall provide a thorough, written explanation of any deviations from the loan policy. Such explanation(s) shall address how said exceptions are in the Bank's best interest, and shall be reflected in the minutes of the corresponding committee meeting.

(b) Review and monitor the status of repayment and collection of overdue and

{{1-31-01 p.C-5016}}

maturing loans, as well as all other loans classified "Substandard" in the FDIC and OBRE Reports of Examination as of April 25, 2000, or that are included on the Bank's internal watch list.

(c) Review and give prior written approval for all advances, renewals, or extensions of credit to any borrower or the borrower's related interests when the aggregate volume of credit extended to the borrower and the borrower's related interests exceeds \$50,000. For purposes of this ORDER, the term "related interest" is defined pursuant to section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. §215.2(n).

(d) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, and prepare a written opinion as to whether the credit is in conformance with the Bank's loan policy and all applicable laws and regulations. Such applications, renewals, and written opinions shall be referred to the Bank's board of directors for consideration.

(e) Maintain written minutes of the committee meetings which include a record of the review and status of the aforementioned loans. Such minutes shall be made available for review at the next Bank board of directors' meeting.

[.14] 15. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's loan policy and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policy necessary to strengthen lending procedures. The revised written loan policy and any subsequent modifications shall be submitted to the Regional Director and Commissioner for review and comment.

(b) Revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

(i) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the

directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;

(ii) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a clearly defined and stated purpose, and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, and cash flow projections, and shall be maintained throughout the term of the loan with loan officer notations and comments;

(iii) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as those loans which were classified "Substandard" in the FDIC and OBRE Reports of Examination as of April 25, 2000;

(iv) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;

(v) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

(vi) Prohibiting the capitalization of interest, taxes, insurance premiums, or other loan related expenses unless the board of directors provides, in writing, a detailed explanation of why said deviation is in the best interest of the Bank;

(vii) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, section 37 of the Illinois Banking Act, 205 ILCS 5/37, and 38 Ill. Adm. Code, section 340;

(viii) Requiring prior written approval by the Bank's board of directors for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and related interests of that person, exceeds \$50,000;

(ix) Requiring a nonaccrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(x) Requiring accurate reporting of past due loans to the loan committee and board on at least a monthly basis;

{{1-31-01 p.C-5017}}

(xi) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

(xii) Establishing standards for extending unsecured credit;

(xiii) Establishing limitations on the amount that can be loaned in relation to established collateral values, including the requirement that the source of the valuation be identified and the requirement that such collateral valuations shall be completed prior to the disbursement of loan proceeds and be performed on a periodic basis over the term of the loan;

(xiv) Establishing standards for the institution of collection efforts by the loan officer or legal counsel;

(xv) Establishing guidelines for timely recognition of loss through charge-off;

(xvi) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified "Substandard" or "Loss," whether in whole or in part, as of April 25, 2000, by the FDIC or OBRE and in any subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the renewal or extension has first been approved in writing by a majority of the Bank's board of directors;

(xvii) Establishing officer lending limits and limitations on the aggregate level of credit to any one borrower which can be granted without the prior approval of the Bank's loan committee;

(xviii) Requiring that collateral appraisals be completed prior to the making of secured extensions of credit. In addition, periodic collateral valuations shall be performed for all secured "problem loans";

(xix) Prohibiting the payment of any overdraft in excess of \$2,500 without the prior written approval of the Bank's loan committee, and imposing appropriate limitations on the use of Cash Items account;

(xx) Establishing limitations on the maximum volume of loans in relation to total assets; and

(xxi) Establishing review and monitoring systems for dealer floor plan loans, dealer indirect lines, and dealer reserve accounts.

(c) Within 60 days from the receipt of any comments from the Regional Director and Commissioner, and after the adoption of any recommended changes, the board of directors shall approve the written loan policy and any subsequent modification thereto, which approvals shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the written loan policy and any subsequent modifications thereto. The Bank shall inform the Regional Director and Commissioner, in writing, of the manner in which it intends to implement this policy and ensure compliance therewith.

[.15] 16. Within 60 days from the effective date of this ORDER, the Bank shall retain an independent public accounting firm acceptable to the Regional Director and Commissioner. The Bank shall contract with the accounting firm to conduct an audit of the Bank's year-end 2000 financial statements. In addition, the Bank shall require, as part of its agreement with the accounting firm, that the audit report be completed by February 15, 2001. The Bank shall submit the audit report to the Regional Director and Commissioner immediately upon receipt.

[.16] 17. Within 90 days from the effective date of this ORDER, the Bank's board of directors shall adopt and implement a comprehensive written audit program. The Bank shall thereafter implement and enforce an effective system of internal and external audits. The internal auditor shall make written monthly reports of audit findings directly to the Bank's board of directors. The minutes of the meetings of the board of directors shall reflect consideration of these reports and describe any action taken as a result thereof. A copy of the audit program should be submitted to the Regional Director and Commissioner upon its completion.

[.17] 18. Within 90 days from the effective date of this ORDER, the Bank shall correct the deficiencies in internal routines and controls which are listed in the FDIC and OBRE Reports of Examination as of April 25, 2000. Additionally, policies and [\[1-31-01 p.C-5018\]](#)

procedures shall be established to prevent the recurrence of any deficiency so noted.

[.18] 19. (a) Within 90 days from the effective date of this ORDER, the Bank shall implement a written profit plan with realistic, comprehensive budgets for all categories of income and expense for calendar year 2001. The plan required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components. A copy of the plan shall be submitted to the Regional Director and Commissioner upon its completion.

(b) The written profit plan shall, at a minimum:

(i) Address strategies to improve the Bank's earnings, both short term and long term; and

(ii) Identify all assumptions used in preparing the plan.

(c) Prior to the end of each calendar quarter, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) The written profit plan and budget required by this ORDER shall be prepared and submitted to the Regional Director and Commissioner for review and comment 30 days prior to the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and Commissioner and after adoption of any recommended changes the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

[.19] 20. 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 (2) 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, notice, or statement shall be sent to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, and to OBRE, 500 E. Monroe, Suite 900, Springfield, Illinois 62701, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and OBRE shall be made prior to dissemination of the description, communication, notice, or statement.

[.20] 21. (a) Within 30 days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

(b) Following the required date of compliance with subparagraph (a) above, the Bank's board of directors shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled monthly board of directors' meeting.

22. Within 30 days of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Commissioner written progress reports, signed by each member of the Bank's board of directors, detailing the form and manner of any actions taken to secure compliance with this ORDER. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Commissioner have, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be 10 days after issuance of the ORDER.

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 provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and OBRE.

Pursuant to delegated authority.

Dated this 16th day of November, 2000.

Last
Updated legal@fdic.gov
2/20/2005