ÿ´

{{8-31-02 p.C-5501}}

[¶11,946**] In the Matter of Purdum State Bank, Purdum, Nebraska**, Docket No. 02-066b (6-28-02).

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 6-29-05; see ¶16,424.*)

[.1] Management—Qualifications Specified

[.2] Capital—Maintain Tier 1 Capital

[.3] Dividends—Dividends Restricted

[.4] Payments—Restricted

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

[.6] Assets—Charge-off or Collection

[.7] Loans—Risk Position—Reduction of Adversely Classified Lines of Credit Required

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

[.9] Loans—Special Mention

[.10] Loan Policy—Preparation or Revision of Policy Required

[.11] Technical Exceptions—Correction of Technical Exceptions Required

[.12] Profit Plan—Preparation of Plan Required

[.13] Funds Management and Liquidity—Preparation or Revision of Funds Management Policy Required

[.14] Interest Rates—Deposits—Limitations on Rates Paid

[.15] Growth Plan—Prohibited

[.16] Violations of Law—Correction of Violations Required

{{8-31-02 p.C-5502}}

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

[.18] Board of Directors—Program to Review Compliance with Cease and Desist Order Required

In the Matter of
PURDUM STATE BANK
PURDUM, NEBRASKA
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST

FDIC-02-066b

Purdum State Bank, Purdum, Nebraska ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and regulation alleged to have been committed by the Bank, as well as 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 having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") dated June 26, 2002, with counsel for the Federal Deposit Insurance Corporation ("FDIC"), whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law and regulation, 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 and unsound banking practices and violations of law and regulation. 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 or unsound banking practices and violations of law and regulation:

A. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

B. Operating with a board of directors that has failed to provide adequate supervision over and direction to the management of the Bank.

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

D. Operating with an inadequate allowance for loans and lease losses for the volume, kind, and quality of loans and leases held, and/or failing to make provision for an adequate allowance for possible loan and lease losses.

E. Engaging in hazardous lending and lax collection practices, including, but not limited to:

(1) the failure to obtain proper loan documentation;

(2) the failure to obtain adequate collateral;

(3) the failure to establish and monitor collateral margins of secured borrowers;

(4) the failure to establish and enforce adequate loan repayment programs; and

(5) the failure to obtain current and complete financial information.

F. Operating with an excessive level of adversely classified assets, and non-accrual loans.

G. Operating with an inadequate loan policy.

H. Operating with inadequate liquidity in light of the Bank's asset and liability mix.

I. Operating with an inadequate asset/liability and/or funds management policy.

J. Operating with inadequate earnings.

K. Violating laws and/or regulations, including: the legal lending limit restrictions of the State of Nebraska as set forth in Neb. Rev. Stat. §8-141.

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

[.1**]**1. **MANAGEMENT** For purposes of this Order, the qualifications of management shall be assessed on its ability to comply with the requirements of this ORDER, operate the Bank in a safe and sound manner, comply with applicable laws and regulations, and restore all aspects of the Bank to a safe and sound condition, including asset

quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk. Furthermore, "senior executive officer" shall be defined as in section 32 of the Act, 12 U.S.C. §1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. §303.101(b). Each member of Bank management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank.

(a) During the life of this ORDER, the Bank shall notify the Regional Director and the Director of Banking and Finance, in writing, of the resignation or termination of any of the Bank's directors or senior executive officers.

(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, supra, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104.

(c) During the life of this ORDER, the Bank shall retain qualified management.

(d) Within 60 days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and the Director of Banking and Finance, who, within 45 days from the effective date of this ORDER, shall make an analysis and assessment of the Bank's management and staffing needs and shall develop and complete a plan ("Management Plan") for the purpose of providing qualified management for the Bank.

(e) 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, including identification of the specific duties and responsibilities for each officer, with special attention given to the position of senior lending officer;
>
> (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 and staff members, 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 restoration and maintenance of the Bank in a safe and sound condition;
>
> (iv) commitment of sufficient Bank resources to ensure that all employees receive the requisite training and supervision to effectively carry out their duties and responsibilities; and
>
> (v) 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 previously in this ORDER.

(f) Upon completion of the Management Plan, it shall be submitted to the Regional Director and the Director of Banking and Finance for review and comment. Within 30 days of the receipt of any comments from the Regional

Director and after due consideration of any recommended changes, the board of directors of the Bank shall meet, approve the Management Plan, and record the approval in its minutes for the meeting. Any subsequent modification of the Management Plan shall require submission to the Regional Director for review and comment prior to approval by the Bank.

(g) Thereafter, the Bank, its directors, officers and employees shall implement and follow the approved Management Plan.

[.2**]**2. **CAPITAL ADEQUACY** For purposes of this ORDER, Tier 1 leverage capital ratio means the level of Tier 1 capital as a percentage of total assets. 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. Total risk-based capital ratio means the ratio of Tier 1 and Tier 2 capital to total risk-weighted assets. Risk-weighted assets shall be calculated in accordance with the FDIC's Statement of Policy on Risk-Based Capital.

(a) During the period this ORDER is in effect, the Bank shall maintain a Tier 1 Leverage Capital Ratio of not less than 6 percent and a total risk-based capital ratio of not less than 8 percent. If either capital ratio declines below the specified percentage, within 30 days after the capital ratio declines, the Bank will submit a written plan for increasing the capital ratio(s) up to or in excess of the specified percentage(s).

(b) Any increases in Tier 1 capital may be accomplished by the following:

(i) the sale of common stock and non-cumulative perpetual preferred stock;

(ii) the elimination of all or part of the assets classified "Loss" as of February 25, 2002, without incurring 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;

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

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

(v) any other means acceptable to the Regional Director; and/or

(vi) any combination of the above.

(c) 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 said plan. Should the implementation of the plan involve public distribution of 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 other material disclosures necessary to comply with 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 Registration and Disclosure Section, 550 17th Street, Room F-6043, N.W., Washington, D.C. 20429, for its review. Any changes to be made in the materials requested by the FDIC shall be made prior to their dissemination. If the Regional Director allows any part of the increase in Tier 1 capital to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to, those terms and conditions relative to the interest rate and any convertibility factor, shall be presented to the Regional Director for prior approval.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or of other changes that 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.

(e) 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.

[.3**]**3. **RESTRICTION ON DIVIDENDS** As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend, capital distribution or earnings distribution, without the prior written consent of the Regional Director and the Director of Banking and Finance.

[.4**]**4. **RESTRICTION ON PAYMENTS TO INSIDERS** As of the effective date of this ORDER, the Bank shall not pay bonuses, or management fees, or make other extraordinary payments to a Bank insider or a member of the immediate family of the insider without the prior written consent of the Regional Director and the Director of Banking and Finance. As of the effective date of this ORDER, the Bank shall not make profit sharing payments to a Bank insider without the prior written consent of the Regional Director and the Director of Banking and Finance. For purposes of this paragraph, the term's "immediate family" and "insider" shall have the same meaning as those terms in 12 C.F.R. §215.2(g) and (h), respectively.

[.5**]**5. **ALLOWANCE FOR LOAN AND LEASE LOSSES** For purposes of this ORDER and in making the determinations mandated by this paragraph, the board of directors of the Bank shall consider the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement
{{8-31-02 p.C-5505}}

of Policy on Allowance for Loan and Lease Losses ("ALLL") and any analysis of the Bank's ALLL provided by the FDIC.

(a) Within 30 days from the effective date of this ORDER, the Bank shall replenish its ALLL by a provision to the account which takes into consideration those loans required to be charged off by this ORDER, and the potential for further losses in the remaining loans or leases classified "Substandard" and "Doubtful" as well as all other loans and leases in its portfolio.

(b) Within 30 days from the effective date of this ORDER, Reports of Condition and Income required by the FDIC and filed by the Bank subsequent to February 25, 2002, shall be amended and re-filed if they do not reflect a provision for loan and lease losses which is adequate in view of the condition of the Bank's loan portfolio, and which, at a minimum, incorporate the adjustments required by this paragraph.

(c) Prior to the submission of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate 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 ALLL recommended, if any and the basis for determination of the amount of ALLL provided.

(d) While this ORDER is in effect, the Bank shall submit to the Regional Director and Director of Banking and Finance the analysis supporting the determination of the adequacy of its ALLL. These submissions may be made at such times as the Bank files the progress reports otherwise required by this ORDER.

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

[.6**]**6. **LOAN CHARGE-OFF** Elimination or reduction of loans with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

(a) As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all loans or portions of loans classified "Loss" as of February 25, 2002, that have not been previously collected or charged off.

(b) As of the effective date of this ORDER, the Bank shall further eliminate from its books, by charge-off or collection, 50 percent of all loans or portions of loans classified "Doubtful" as of the same date that have not been previously collected or charged off.

[.7**]**7. **REDUCTION OF SUBSTANDARD ASSETS** For purposes of this ORDER and as used in this paragraph, "reduce" means to collect, charge off, or improve the quality of substandard assets so as to warrant removal of any adverse classification by the FDIC. Furthermore, in developing the plan mandated by this paragraph, the Bank shall, at a minimum, review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources, and evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Director of Banking and Finance, for review and comment, a written plan to reduce the Bank's risk position in each asset in excess of $75,000 which is classified "Substandard" or "Doubtful" in the FDIC's Report of Examination as of February 25, 2002. Within 30 days from the receipt of any comment from the Regional Director, and after due consideration 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 this plan.

(b) The plan mandated by this paragraph shall include, but not be limited to, the following:

(i) the dollar levels to which risk in each classified asset will be reduced;

(ii) a description of the risk reduction methodology to be followed;

(iii) provisions for the Bank's submission of monthly written progress reports to its board of directors;

(iv) provisions mandating board review of said progress reports; and

(v) provisions for the mandated review

to be recorded by notation in the minutes of the board of directors' meetings.

[.8**]**8. **PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS** As of the effective date of this ORDER, the Bank shall not, directly or indirectly, extend 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 (or portion thereof) that has been charged-off the books of the Bank or classified "Loss", so long as such credit remains uncollected. Additionally, the Bank shall not, directly or indirectly, extend any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful", or is listed for Special Mention, and remains uncollected, unless its board of directors adopts a detailed written statement giving the reasons why such potential action is in the best interest of the Bank. A copy of such statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable board of directors' meeting.

[.9**]**9. **SPECIAL MENTION** Within 90 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the assets listed for "Special Mention" in the FDIC Report of Examination as of February 25, 2002.

[.10**]**10. **LOAN POLICY** 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 and abate additional loan deterioration.

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

(i) addressing deficiencies identified on page 14 of the Report of Examination with respect to loan documentation and credit underwriting.

(ii) 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;

(iii) requiring that all extensions of credit originated or renewed by the Bank:

(A) be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests;

(B) have current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which information shall be maintained throughout the term of the loan;

(C) have a clearly defined and stated purpose and a predetermined and realistic repayment source and schedule;

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

(v) requiring the establishment and maintenance of a loan grading system and internal loan watch list;

(vi) establishing guidelines for timely recognition of loss through charge-off;

(vii) 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;

(viii) 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 "Doubtful", whether in whole or in part, in Regulatory Reports 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;

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

(x) prohibiting the capitalization of interest or 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; and

(xi) requiring that collateral appraisals be completed prior to the making of secured extensions of credit, and that no less than annual collateral valuations be performed for all secured loans.

(b) The revised written loan policy shall be submitted to the Regional Director and the Director of Banking and Finance, for review and comment, before its adoption. Within 30 days from the receipt of any comments from the Regional Director, and after due consideration of any recommended changes, the board of directors shall approve the written loan policy and any subsequent modification thereto, which approval shall be recorded in the minutes of a board of directors' meeting.

[.11**]**11. **TECHNICAL EXCEPTIONS** Within 60 days from the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the FDIC Report of Examination as of February 25, 2002. "Correct" shall include documented attempts to collect missing information. The Bank shall initiate and implement a program to ensure its credit files contain complete, adequate and current documentation.

[.12**]**12. **PROFIT PLAN AND BUDGET** The plan and budget 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, as well as a description of the operating assumptions that form the basis for major projected income and expense components.

(a) Within 90 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Director of Banking and Finance, for review and comment, a written profit plan and a realistic/comprehensive budget for all categories of income and expense for calendar years 2002, 2003, 2004. Within 30 days from the receipt of any comments from the Regional Director, and after adoption of any recommended changes, the Bank shall approve the plan and budget, which approval shall be recorded in the minutes of the board of directors' meeting. Thereafter, the Bank shall implement and follow the plan and budget.

(b) Within 30 days from the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance against them, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect. A copy of the profit plan and budget shall be submitted to the Regional Director and the Director of Banking and Finance for review and comment within 30 days of the end of each year.

[.13**]**13. **FUNDS MANAGEMENT PLAN** Within 90 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Director of Banking and Finance, for review and comment, a written plan addressing liquidity, contingent funding, and asset liability management. Within 30 days from the receipt of all such comments from the Regional Director, and after due consideration 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. Annually during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions to the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs.

(a) The initial plan shall include, at a minimum, provisions:

(i) establishing a desirable range for dependence on less stable funding sources;

(ii) identifying the source and use of borrowed and/or non-core funds;

(iii) establishing contingency plans to improve liquidity to the level established in the Bank's liquidity policy.

14. **FUNDS MANAGEMENT POLICY** Within 90 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's funds management policy for adequacy and shall make the necessary revisions to address the asset/liability and liquidity positions and strategies.

(a) At a minimum, the revised policy shall:

(i) provide for the establishment of an asset/liability committee;

(ii) provide for the periodic review of the Bank's deposit structure;

(iii) provide policies and procedures that address funding concentrations in or excessive reliance on any single source or type of funding, such as brokered funds, deposits obtained through the Internet or other types of advertising, and other similar rate sensitive or credit sensitive deposits.

(iv) provide a method of computing the Bank's cost of funds;

(v) convey the board's risk tolerance and establishing target liquidity ratios such as loan-to-deposit ratio, longer-term assets funded by less stable funding sources, individual and aggregate limits on borrowed funds by type and source, or a minimum limit on the amount of short-term investment;

(vi) provide an adequate system of internal controls that ensures the independent and periodic review of the liquidity management process and compliance with policies and procedures;

(vii) ensure that senior management and the board are given the means to periodically review compliance with policy guidelines, such as compliance with established limits and legal reserve requirements, and verify that duties are properly segregated;

(viii) include a contingency plan that addresses alternative sources of funds if initial projections of funding sources and uses are incorrect or if a liquidity crisis arises.

(ix) establish a process for measuring and monitoring liquidity;

(x) define approval procedures for exceptions to policies, limits, and authorizations;

(xi) provide for tax planning;

(xii) provide authority and procedures to access wholesale funding sources, and defining and establishing a process for measuring and monitoring unused borrowing capacity;

(xiii) require specific guidelines, limitations, and authority for bond trading activities;

(xiv) conform with the Interagency Statement of Policy on Interest Rate Risk;

(xv) establish a method to measure/monitor rate sensitivity;

(xvi) establish an acceptable range for the relationship between rate sensitive assets and rate sensitive liabilities; and

(xvii) establish acceptable parameters for changes in the economic value of Equity and Net Interest Margin given changing interest rate scenarios.

(b) The Bank's policy when revised as required by this paragraph, shall be submitted to the Regional Director and the Director of Banking and Finance for review and comment. Within 30 days from the receipt of any recommended changes the Bank shall approve the policy, which approval shall be recorded in the minutes of the board of directors' meeting. Thereafter, the Bank shall implement and follow the policy.

[.14**]**15. **RESTRICTIONS ON INTEREST** For purposes of this ORDER, the term "effective yield" and "market area" have the same meaning as in section 337.6(b)(4) of the FDIC Rules and Regulations, 12 C.F.R. §337.6(b)(4).

(a) While this ORDER is in effect, the Bank shall not, without the prior written consent of the Regional Director, accept, renew, or roll over deposits bearing an interest rate that exceeds the prevailing effective yields on insured deposits of comparable maturity in the Bank's normal trade area.

(b) The requirement in paragraph 15 of this ORDER shall not apply to interest rates on deposits accepted before, and not renewed or renegotiated after, the effective date of this ORDER.

(c) While this ORDER is in effect, the Bank shall maintain complete and accurate records sufficient to demonstrate compliance with the requirements of this paragraph 15 and shall promptly provide copies of such records for review by the Regional Director upon request. Such records shall include, but not be limited to, the written analysis by which the Bank determined its normal market area and the methodology and analysis by which it surveyed and determined the prevailing effective yields on insured deposits in that market area.

[.15**]**16. **GROWTH PLAN** For purposes of this paragraph, "total assets" shall be defined as in the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income.

(a) During the life of this ORDER, the Bank shall not initiate a plan to grow its total assets without the prior written consent

of the Regional Director and the Director of Banking and Finance. Any plan to grow the Bank's total assets must state the funding source to support the projected growth and the anticipated use of the funds.

[.16**]**17. **VIOLATIONS OF LAW AND REGULATION** Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation listed on pages 11 and 12 of the FDIC's Report of Examination as of February 25, 2002.

[.17**]**18. **DISCLOSURE TO SHAREHOLDERS** Following the effective date of this ORDER, the Bank shall send 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, notice or statement shall be sent to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Room F-6043, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any requests for changes made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

[.18**]**19. **COMPLIANCE WITH ORDER** Within 60 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER. Following the adoption of said program, 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 board of directors' meeting.

20. **PROGRESS REPORTS** Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Regional Director and the Director of Banking and Finance, 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 has, in writing, released the Bank from making further reports.

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

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 this 28th day of June, 2002.