

{{8-31-94 p.C-1933}}

¶10,449] In the Matter of F & M Bank of Preston, Preston, Minnesota, Docket No. FDIC-91-329b (2-10-92).

Bank to cease and desist from such unsafe or unsound practices as operating with excessive volumes of adversely classified assets; following hazardous lending and lax collection practices; operating with inadequate capital; operating in violation of applicable laws or regulations; operating with management whose policies are detrimental to the Bank; operating with inadequate loan documentation; engaging in practices which produce inadequate operating income; failing to provide adequate supervision over the Bank's affairs; operating with inadequate allowance for loan and lease losses; and failing to submit Reports of Condition and Income in accordance with instructions. (*This order was terminated by order of the FDIC dated 6-15-94; see ¶ 15,878.*)

- [.1] Management—Qualifications—Review
- [.2] Management—Management Plan—Minimum Requirements
- [.3] Assets—Adversely Classified—Eliminate/Reduce
- [.4] Allowance for Loan and Lease Losses—Establish/Maintain
- [.5] Capital—Tier 1 Capital—Increase/Maintain—Methods
- [.6] Loans—Risk Position—Reduce—Written Plan Required
- [.7] Loans—Extensions of Credit—Existing Borrowers—Curtail
- [.8] Loans—Overdue—Accrual of Interest
- [.9] Loan Policy—Written Revision—Minimum Requirements
- [.10] Profit Plan—Minimum Requirements
- [.11] Funds Management—Written Policy Required
- [.12] Dividends—Restricted
- [.13] Shareholders—Disclosure—Cease and Desist Order
- [.14] Technical Exceptions—Eliminate/Correct
- [.15] Loans—Concentrations of Credit—Reduction Plan
- [.16] Violations of Law—Eliminate/Correct
- [.17] Compliance Reports—Frequency

In the Matter of

**F & M BANK OF PRESTON  
PRESTON, MINNESOTA  
(Insured State Nonmember Bank)  
ORDER TO CEASE  
AND DESIST  
FDIC-91-329b**

The Federal Deposit Insurance Corporation ("FDIC") on October 18, 1991, issued to F & M Bank of Preston, Preston, Minnesota ("Bank"), a NOTICE OF CHARGES AND OF HEARING ("NOTICE") under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b). The NOTICE charged the Bank with having engaged in unsafe or unsound banking practices and having violated certain laws and/or regulations.

The Bank and counsel for the FDIC thereafter executed a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT"), dated February 7, 1992, whereby solely for the purpose of this {{8-31-94 p.C-1934}} proceeding and without admitting or denying any of the allegations in the NOTICE, 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 laws and/or regulations. 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 and violations of law and/or regulations:

- A. operating with an excessive volume of adversely classified assets;
- B. engaging in hazardous lending and lax collection practices, including maintaining an excessive volume of adversely classified loans;
- C. operating with inadequate Tier 1 or core capital for the kind and quality of assets held;
- D. engaging in violations of applicable laws and regulations;
- E. operating with management whose policies and practices are detrimental to the Bank;
- F. operating with deficient or inadequate loan documentation, including but not limited to current financial statements, title searches or legal opinions, and cash flow and/or operating information;
- G. engaging in practices which produce inadequate operating income and excessive loan losses;
- H. failing to provide adequate supervision and direction over the affairs of the Bank to prevent unsafe or unsound practices and violations of law and/or regulations;
- I. operating with an inadequate allowance for loan and lease losses for the volume, kind and quality of loans held; and
- J. failing to submit Reports of Condition and Income in accordance with prevailing instructions.

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

[.1] 1. (a) (i) No more than 45 days from the effective date of this ORDER, the Bank shall have and thereafter retain qualified management. Such management shall include a qualified senior lending officer who shall be given stated written authority by the Bank's board of directors, including responsibility for implementing and maintaining the lending policies of the Bank. The senior lending officer shall have an appropriate level of lending, collections, and loan supervision experience to perform the duties assigned to that individual by the Bank's board of directors. The Bank shall promptly notify the Regional Director of the FDIC's Kansas City Regional Office ("Regional Director") of the identity of said senior lending officer. 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 of the Act, 12 U.S.C. § 1831i; and section 303.14 of the FDIC Rules and Regulations, 12 C.F.R. § 303.14.

(ii) The assessment of whether the Bank has "qualified management" shall be based upon management's conduct, both individual and joint, with respect to the Bank in: (A) complying with the requirements of this ORDER; (B) complying with applicable laws and regulations; and (C) not engaging in any unsafe or unsound banking practice which has an adverse effect on the Bank's asset quality, capital adequacy, earnings, or liquidity.

[.2] (b) The board of directors shall in no more than 30 days from the effective date of this ORDER develop a written analysis and assessment of the Bank's management and staffing needs ("management plan"), which shall include, at a minimum:

- (i) identification of both the type and number of officer positions needed to manage and supervise properly 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 each Bank officer, [{{4-30-92 p.C-1935}}](#) and in particular the chief executive officer, and staff member 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 maintenance of the Bank in a safe and sound condition; and
- (iv) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications, which the board of directors determines are necessary to fill Bank officer or staff member positions consistent with the board's analysis, evaluation and assessment as provided in paragraphs 1(b)(i) and 1(b)(iii) of this ORDER.

(c) The written management plan and any subsequent modification thereto shall be submitted to the Regional Director for review and comment. No more than 15 days from the receipt of any comment from the Regional Director, and after consideration of such comment, the board of directors shall approve the written management plan and/or any subsequent modification thereto which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall implement and follow the written management plan and/or any subsequent modification.

(d) (i) Within 90 days from the effective date of this ORDER, the board of directors shall prepare a list of potential candidates for the board of directors for consideration by the shareholders of the Bank. The list of candidates shall include individuals who are independent with respect to the Bank, in such number that, if elected, would cause a majority of the board of directors to be independent with respect to the Bank. The actions taken in identifying potential candidates, including any communication with such

individuals, shall be documented and made a part of the minutes of the board of directors. Copies of these board minutes shall be provided to the Regional Director within 120 days from the effective date of this ORDER.

(ii) At the next meeting of the shareholders of the Bank, and at each succeeding meeting of the shareholders at which Bank directors are to be elected, the members of the board of directors who are also shareholders of the Bank, or if the Bank is owned by a bank holding company, such members who are also directors and/or shareholders of such bank holding company, shall nominate and support the election of candidates to the board of directors who are independent with respect to the Bank and who have agreed to stand for election to the board of directors, in such number as are necessary to cause a majority of the board of directors to be and to remain independent with respect to the Bank.

(iii) For purposes of this ORDER, an individual who is "independent with respect to the Bank" shall be any individual (A) who is not an officer of the Bank, any subsidiary of the Bank, or any of its affiliated organizations and who does not own more than 5 percent of the outstanding shares of the Bank or any of its affiliated organizations, (B) who is not related by blood, marriage or common financial interest to an officer of the Bank, any subsidiary of the Bank, or any of its affiliated organizations or to any stockholder owning more than 5 percent of the outstanding shares of the Bank, any subsidiary of the Bank, or any of its affiliated organizations, and (C) who is not indebted to the Bank, directly or indirectly (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 Tier 1 or core capital.

(e) Effective the date of this ORDER, the Bank's board of directors shall meet at least monthly. The board shall prepare in advance and shall follow a detailed written agenda at each meeting, which shall include consideration of actions of any committees. Nothing in the foregoing sentence shall preclude the board from considering matters other than those contained in the agenda. Detailed written minutes of all board meetings shall be maintained and recorded on a timely basis.

[.3] 2. No more than 10 days from the effective date of this ORDER, the Bank: (a) shall eliminate from its books, by charge-off, collection, or other proper entries, all assets or portions of assets classified "Loss" as of November 30, 1990; and (b) shall either (i) eliminate from its books by charge-off, collection, or other proper entries, or (ii) if the asset is an extension of credit or lease, increase its allowance for loan and lease losses by an amount equal to 50 percent of those assets or portions of assets classified "Doubtful" as of November 30, 1990, which have not been previously collected, charged off, or otherwise eliminated by other proper entries. Reduction of these assets through use of proceeds of loans made by the Bank does not constitute collection for the purpose of this paragraph.

[.4] 3. (a) As used in this ORDER, "allowance for loan and lease losses" ("allowance") means the same as the term in section 325.2(a) of the FDIC Rules and Regulations, 56 Fed. Reg. 10,154, 10,160 (1991) (to be codified at 12 C.F.R. § 325.2(a), and in the Instructions for Preparation of Reports of Condition and Income ("Instructions").

(b) The Bank shall have and maintain an adequate allowance in accordance with the requirements of the Instructions.

(c) Reports of Condition and Income required to be submitted by the Bank as of each Report date, as that term is used in the Instructions, between and including November 30, 1990, and the effective date of this ORDER, shall, at a minimum, reflect an allowance for loan and lease losses that should have been maintained in accordance with the Instructions. If necessary to comply with this paragraph, the Bank shall file amended Reports of Condition and Income within 10 days from the effective date of this ORDER.

(d) Prior to the submission of any Report of Condition or Report of Income required to be filed by the Bank after the effective date of this ORDER, the board of directors of the Bank shall: (i) review the adequacy of the Bank's allowance for loan and lease losses, (ii) provide for an adequate allowance, and (iii) accurately report the allowance in any such Report of Condition and Income. The minutes of the board meeting at which such review is undertaken shall indicate the results of the review, including any increases in the allowance, and the basis for determining the amount of allowance provided.

[.5] 4. (a) As used in this ORDER:

(i) "Tier 1 or core capital" ("Tier 1 capital") means the same as the term in section 325.2(m) of the FDIC Rules and Regulations, 56 Fed. Reg. 10,154 (1991) (to be codified at 12 C.F.R. § 325.2(m)).

(ii) "Noncumulative perpetual preferred stock" means the same as the term in section 325.2(j) of the FDIC Rules and Regulations, 56 Fed. Reg. 10,154 (1991) (to be codified at 12 C.F.R. § 325.2(j)).

(iii) "Total assets" means the same as the term in section 325.2(n) of the FDIC Rules and

Regulations, 56 Fed. Reg. 10,154 (1991) (to be codified at 12 C.F.R. § 325.2(n)).

(iv) "Securities" means common and noncumulative perpetual preferred stock.

(b) No later than the effective date of this ORDER, the Bank shall increase its Tier 1 capital by not less than \$1,300,000. Such increase in Tier 1 capital may be accomplished by:

- (i) the sale of new offerings of common stock or noncumulative perpetual preferred stock;
- (ii) the sale of outstanding shares by the Bank's shareholders to any investor who has the financial capability to make the additions to the Bank's Tier 1 capital required by paragraph 4(b);
- (iii) the direct contribution of cash by the shareholders and/or directors of the Bank;
- (iv) the collection of all or part of assets classified "Loss" or "Doubtful" as of November 30, 1990, 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 paragraph 2 of this ORDER. Collections on loans or leases classified "Loss" or "Doubtful" shall be credited to the Bank's allowance for loan and lease losses and, if the board of directors' review of the adequacy of the allowance for loan and lease losses required by paragraph 3 of this ORDER indicates that such allowance has a balance in excess of that required for adequacy, any such excess may thereafter be transferred to Tier 1 [{{4-30-92 p.C-1937}}](#) capital through a negative provision for loan and lease losses;
- (v) the collection in cash of assets previously charged off;
- (vi) any combination of the above means; or
- (vii) any other means acceptable to the Regional Director.

(c) If all or part of the increase in total Tier 1 capital required under paragraph 4(b) of this ORDER involves an offering, other than an offering deemed not to be a public securities offering pursuant to 17 C.F.R § 230.506 or as hereafter amended, of the Bank's 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 of this ORDER as well as the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the federal securities laws. Prior to the sale of the securities, 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 Unit, 550 17th Street, N.W., Washington, D.C. 20429, for review. Any changes requested in the materials by the FDIC shall be made prior to their dissemination.

(d) In complying with the provisions of paragraph 4(c) of this ORDER, the Bank shall provide to any subscriber and/or purchaser of Bank stock, written notice of any planned or existing development or other change which is 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 4(d) shall be furnished within 10 days from the date such material development or change was planned or occurred, whichever is earlier, to every purchaser and/or subscriber of Bank stock who received or was tendered the information contained in the Bank's original offering materials.

(e) After appropriate entries for an adequate allowance for loan and lease losses are made in accordance with the requirements of paragraph 3 of this ORDER, the Bank shall have and maintain Tier 1 capital at or in excess of the specified percentages of the Bank's total assets ("Tier 1 capital ratio") at the following times:

| Date              | Required Tier 1<br>Capital Ratio |
|-------------------|----------------------------------|
| June 30, 1992     | 3.5%                             |
| December 31, 1992 | 4.0%                             |
| June 30, 1993     | 4.5%                             |
| December 31, 1993 | 5.0%                             |
| June 30, 1994     | 5.5%                             |
| December 31, 1994 | 6.0%                             |

From and after June 30, 1992, for purposes of calculating Tier 1 capital ratio. Tier 1 capital shall be the dollar amount reported in the Bank's most recent Report of Condition and Income.

(f) The Bank's board of directors shall maintain in its minutes a written record of all actions taken by the Bank to comply with the capital requirements of paragraphs 4(b) through 4(e) of this ORDER, including, at a minimum, any action to increase its Tier 1 capital by each of the methods specified in paragraphs 4(b)(i) through 4(b)(vii) of this ORDER.

(g) Nothing in this ORDER shall operate to subject any individual director of the Bank to a Federal District Court order of enforcement pursuant to section 8(i)(1) of the Act, 12 U.S.C. § 1818(i)(1), or imposition of civil money penalties pursuant to section 8(i)(2) of the Act, 12 U.S.C. § 1818(i)(2), for failure to utilize such director's personal assets to satisfy the capital requirements of paragraphs 4(a) through 4(e) of this ORDER. For the purpose of this paragraph (g), the diminution in the value of stock held by any director as the result of the sale of new offerings of common stock or noncumulative perpetual preferred stock pursuant to paragraph 4(b)(i) of this ORDER shall not be considered to be a utilization of such director's personal assets.

[.6] 5. (a) Within 30 days from the effective date of this ORDER, the board of directors shall develop a written plan of action to lessen the Bank's risk position in each line of credit aggregating \$60,000 or more, which was classified "Substandard" or "Doubtful" as of November 30, 1990. In developing such plan, the Bank shall, at a minimum:

- (i) review the financial position of [{{4-30-92 p.C-1938}}](#) 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.

Based upon such review and evaluation, the written plan of action shall: (A) establish target dollar levels to which the Bank shall reduce the aggregate dollar volume of "Substandard" or "Doubtful" classifications within 6 and 12 months from the effective date of this ORDER; and (B) provide for the submission of written monthly progress reports to the Bank's board of directors for review and notation in the board minutes. 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.

(b) The written plan of action described by paragraph 5(a) and any subsequent modification thereto shall be submitted to the Regional Director and the State Commissioner for review and comment. No more than 30 days after the receipt of any comment from the Regional Director, the board of directors shall approve the written plan of action, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall follow the written plan of action and/or any subsequent modification.

[.7] 6. Effective the date of this ORDER, the Bank shall not extend, directly or indirectly, credit to, or for the benefit of, any borrower who has a loan or other extension of credit with the Bank that has been charged off or classified, in whole or in part, "Loss," "Doubtful," or "Substandard," and is uncollected, unless a majority of the Bank's board of directors first (a) determines that such advance is in the best interest of the Bank, (b) determines that the Bank has satisfied the requirements set out in paragraph 5 of this ORDER as to such borrower, and (c) approves such advance. A written record of the board of directors' determination and approval of any advance under the terms of this paragraph shall be maintained in the credit file of the affected borrower(s) as well as the minutes of the board of directors. The requirements of this paragraph do not prohibit the Bank from renewing any credit already extended to the borrower.

7. (a) Effective the date of this ORDER, the Bank shall not make any new extension of credit, directly or indirectly, to any borrower or such borrower's related interest, as defined in section 215.2(k) of Federal Reserve Board Regulation O, 12 C.F.R. § 215.2(k), if the new extension of credit, when aggregated with all other extensions of credit to such borrower and such borrower's related interests, exceeds: (i) except as provided in paragraph 7(b), during the period from the effective date of this ORDER until March 31, 1992, the sum of \$350,000; and (ii) from and after March 31, 1992, 25 percent of the Bank's Tier 1 capital as reported in the Bank's most recent Report of Condition and Income.

(b) Item (i) of paragraph 7(a) of this ORDER shall be operative only upon the Bank's compliance with paragraph 4(b) of this ORDER. In the event the Bank fails to comply with paragraph 4(b) of this ORDER, the Bank shall not make any new extension of credit, as provided in paragraph 7(a) of this ORDER, in excess of 25 percent of the Bank's Tier 1 capital as reported on the Bank's most recent Report of Condition and Income. For purposes of this paragraph 7, "new extensions of credit" shall not include renewals of existing extensions of credit for which no new funds are advanced for additional principal or accrued unpaid interest.

[.8] 8. Effective the date of this ORDER, the Bank shall not accrue interest on any loan that is, or becomes, 90 days or more delinquent as to principal or interest, unless the loan is both well secured and in the process of collection; "well secured" and "in the process of collection" shall have the same meaning



as those terms have in the prevailing Instructions for the Reports of Condition and Income. The Bank shall reverse on its books all previously accrued but uncollected interest on any loan that has ceased to accrue interest pursuant to this provision.

[.9] 9. No more than 60 days from the effective date of this ORDER, the Bank shall revise its written loan policies. The revised written loan policies and any subsequent modification thereto shall be submitted to the Regional Director and the State Commissioner for review and comment. No more than 30 days after the receipt of any comment from the Regional Director, the board of directors shall approve the written loan policies and/or any subsequent modification thereto which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall follow the written loan policies and/or any subsequent modification thereto.

[.10] 10. (a) No more than 30 days from the effective date of this ORDER, the Bank shall develop a written profit plan consisting of goals and strategies for achieving the capital requirements of paragraph 4 of this ORDER and for improving the earnings of the Bank, which written profit plan shall include, at a minimum:

- (i) identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;
- (ii) realistic and comprehensive budgets;
- (iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and
- (iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) The written profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the State Commissioner for review and comment. No more than 30 days after the receipt of any comment from the Regional Director, the board of directors shall approve the written profit plan and any subsequent modification thereto, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall follow the written profit plan and/or any subsequent modification thereto.

[.11] 11. (a) No more than 30 days from the effective date of this ORDER, the Bank shall develop a written funds management policy which shall include, at a minimum:

- (i) establish adequate recordkeeping systems to track the volume of (A) rate-sensitive assets and (B) rate-sensitive liabilities. Rate-sensitive assets and liabilities are generally defined as those that either mature or can be repriced during a specified time period (90 days, 180 days, one year);
- (ii) establish a range of acceptable ratios for rate-sensitive assets to rate-sensitive liabilities sufficient to protect the Bank against excessive interest-rate risk and ensure that an adequate net interest margin is maintained;
- (iii) establish adequate recordkeeping systems to track the volume of (A) stable or core deposits and (B) volatile deposits;
- (iv) establish guidelines for offsetting a substantial portion of the Bank's volatile deposits and borrowings with liquid, short-term assets;
- (v) establish investment guidelines for funds derived from negotiable-rate certificates of deposit and borrowings, including a maximum large liability dependency ratio. A large liability dependency ratio means the percentage of loans plus other long-term earning assets that may be funded by negotiable-rate certificates of deposit and borrowings;
- (vi) establish a range of acceptable loan-to-deposit ratios, taking into account seasonal deposit fluctuations;
- (vii) establish a borrowing policy which addresses: (A) when or under what conditions the Bank may borrow, (B) maximum amounts that may be borrowed, (C) a list of acceptable creditors, and (D) which officers are authorized to borrow;
- (viii) establish contingency plans for meeting large, unexpected withdrawals, which should include: (A) curtailing lending activity with priority given to specific types of credit and (B) establishing lines of credit with other financial institutions which will advance funds on short notice; and
- (ix) establish a funds-management committee to meet at least monthly to determine how best to allocate the Bank's available funding sources among various asset categories after reviewing: (A) the Bank's liquidity position, (B) outstanding commitments such as loan commitments and letters

of credit, and (C) the Bank's rate-sensitivity position and net interest margin.

(b) The funds management policy shall

{{4-30-92 p.C-1940}}be coordinated with the Bank's loan, investment, operating, and budget and profit planning policies.

(c) The written funds management policy and any subsequent modification thereto shall be submitted to the Regional Director and the State Commissioner for review and comment. No more than 30 days from the receipt of any comment from the Regional Director, the board of directors shall approve the written funds management policy and any subsequent modification thereto, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall follow the written funds management policy and/or any subsequent modification thereto.

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

[.13] 13. 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 Unit, 550 17th Street, N.W., Washington, D.C. 20429, 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.

[.14] 14. No more than 60 days from the effective date of this ORDER, the Bank shall correct the technical exceptions on loans noted on pages 2-c through 2-c-1 of the FDIC's Report of Examination of the Bank as of November 30, 1990. For any technical exception with respect to which correction is not accomplished due to the conduct and/or condition of the borrower outside the reasonable control of the Bank, the Bank shall promptly correct the technical exception when such conduct or condition no longer exists. For any technical exception for which correction is not accomplished, the Bank's board of directors shall maintain in its minutes, and include in the appropriate individual credit file, a written record of all actions taken by the Bank to correct such technical exception, including an express description of the conduct and/or condition of the borrower which is outside the reasonable control of the Bank.

[.15] 15. No more than 60 days from the effective date of this ORDER, the Bank shall formulate and implement a plan to reduce all concentrations of credit as noted on page 2-b of the FDIC's Report of Examination of the Bank as of November 30, 1990, to less than 25 percent of total Tier 1 capital.

[.16] 16. No more than 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulations committed by the Bank as described on pages 6-1 through 6-1-b of the FDIC's Report of Examination of the Bank as of November 30, 1990.

[.17] 17. The Bank shall furnish written progress reports to the Regional Director and the State Commissioner detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof every 90 days, beginning 90 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 Commissioner. 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.

18. This ORDER shall become effective 10 days from the date 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.

Dated this 10th day of February, 1992.

Pursuant to delegated authority.