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[¶11,836](#) **In the Matter of Farmers and Merchants Bank, Trezevant, Tennessee**, Docket No. 01-069b (9-18-01)

(This order was terminated by order of the FDIC dated 10-22-03; see ¶16,358.)

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.

[\[.1\]](#) **Management—Qualifications Specified**

[\[.2\]](#) **Board of Directors—Committee to Review Compliance with Cease and Desist Order Required**
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[\[.3\]](#) **Management—Management Report Required**

[\[.4\]](#) **Management—Management Plan Required**

[\[.5\]](#) **Capital—Increase Required**

[\[.6\]](#) **Loan Loss Reserve—Establishment of or Increase Required**

[\[.7\]](#) **Profit Plan—Preparation of Plan Required**

[\[.8\]](#) **Assets—Charge-off or Collection**

[\[.9\]](#) **Loans—Extensions of Credit—To Borrowers with Existing Adversely Classified Credits**

[\[.10\]](#) **Loan Policy—Preparation or Revision of Policy Required**

[\[.11\]](#) **Technical Exceptions—Correction of Technical Exceptions Required**

[\[.12\]](#) **Loans—Internal Review Procedure**

[\[.13\]](#) **Loan Officer, Limits on Authority**

[\[.14\]](#) **Violations of Law—Correction of Violations Required**

[\[.15\]](#) **Insurance—Credit Life Insurance Premiums Policy Required**

[\[.16\]](#) **Dividends—Dividends Restricted**

[\[.17\]](#) **Reports of Condition and Income—Amendment Required**

[\[.18\]](#) **Assets—Special Mention—Eliminate Deficiencies**

**In the Matter of
 FARMERS AND MERCHANTS BANK
 TREZEVANT, TENNESSEE
 (Insured State Nonmember Bank)
 ORDER TO CEASE AND DESIST**

FDIC-01-069b

Farmers and Merchants Bank, Trezevant, Tennessee ("Bank"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices, violations of law and/or regulations, and contraventions of policy alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act

("Act"), 12 U.S.C. §1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated August 27, 2001, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, 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 committed violations of law 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 director, officers, employees, agents, and other 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:

- (a) engaging in hazardous lending and lax collection practices;
- (b) operating with inadequate capital in relation to the kind and quality of assets held by the Bank;
- (c) operating with a large volume of poor quality loans;
- (d) operating with an inadequate loan valuation reserve;
- (e) operating in violation of Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. §323; in violation of Part 365 of the FDIC's Rules and Regulations, 12 C.F.R. §365; in contravention of Part 364 of the FDIC's Rules and Regulations, Standards for Safety and [{{11-30-01 p.C-5196}}](#) Soundness, 12 C.F.R. §364; in contravention of the Interagency Policy Statement on the Allowance for Loan and Lease Losses; in contravention of the Interagency Policy Statement on Internal Audit Function and Its Outsourcing; and in violation of Sections 45-2-402 and 45-2-1102 of the Tennessee Code Annotated, T.C.A. §45-2-402 and §45-2-1102 (2001).
- (f) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits; and
- (g) operating with a board of directors which fails to provide adequate supervision over and direction to the active management of the Bank.

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

[.1] (a) During the life of this ORDER, the Bank shall have management qualified to restore the Bank to a sound condition. Such management shall include a chief executive officer and an experienced senior lending officer responsible for supervising the Bank's overall lending function.

(b) Present management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Improve and thereafter maintain the Bank in a safe and sound condition, including asset quality, capital adequacy, liquidity adequacy, earnings adequacy, and sensitivity to market risk; and
- (iii) Comply with all applicable State and Federal laws, regulations, and FDIC and Federal Financial Institutions Examination Council policy statements.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the Memphis Regional Office ("Regional Director") and the Commissioner of Department of Financial Institutions for the State of Tennessee ("Commissioner") in writing of any resignations or terminations of any members of its board of directors or any of its senior executive officer(s) within 15 days of the event. In addition, the Bank shall

comply with Section 32 of the Act, 12 U.S.C. §1831i.

[.2] (d) Within 30 days from the effective date of this ORDER, the board of directors shall establish a committee of the board of directors with the responsibility to ensure that the Bank complies with the provisions of this ORDER. At least two-thirds of the members of such committee shall be independent, outside directors as defined herein. The committee shall report monthly to the entire board of directors, and a copy of the report and any discussion relating to the report or the ORDER shall be included in the minutes of the board of directors. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

(e) For the purposes of this ORDER, an "outside director" shall be an individual:

(i) Who shall not be employed, in any capacity, by the Bank or its affiliates other than as a director of the Bank or an affiliate;

(ii) Who shall not own or control more than ten (10%) percent of the voting stock of the Bank or its holding company;

(iii) Who shall not be indebted to the Bank or any of its affiliates in an amount greater than five (5%) percent of the Bank's equity capital and reserves;

(iv) Who shall not be related to any directors, principal shareholders of the Bank or affiliates of the Bank; and

(v) Who shall be a resident of, or engage in business in, the Bank's trade area.

[.3] 2. (a) Within 60 days from the date of this ORDER, the board of directors shall review and make a written report ("Management Report") on the Bank's management needs in the lending area. The Management Report shall incorporate an analysis of the Bank's management and staffing requirements and shall, at a minimum:

(i) Identify both the number and type of positions needed to properly supervise the Bank's lending functions, giving appropriate consideration to the Bank's loan volume, customer base and the number of problem credits;

(ii) Provide a clear and concise description of the general duties and responsibilities for lending officers and their support staff, including in such review, the necessity for adherence to the Bank's loan policies and procedures;

(iii) Identify the skills, experience and pay required for each position;

(iv) Provide an evaluation of the Bank's senior management and lending officials, indicating whether Bank officials possess
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the necessary lending and collection experience and qualifications required to adequately perform present and anticipated duties, and also indicating whether the Bank's current direct and indirect compensation of such persons is reasonable in light of the Bank's current financial condition;

(v) Establish a plan to recruit, hire and/or replace personnel based on ability and experience;

(vi) Establish a plan providing for periodic evaluation of each individual's job performance; and

(vii) Provide for periodic review of Bank's management and updating of lending policies and procedures.

(b) The board of directors shall obtain the services of an outside consultant, acceptable to FDIC and the Commissioner, who is knowledgeable in the area of lending, collections and personnel evaluation to assist the board of directors in reviewing the Bank's management needs and preparing the Management Report. The acceptability of the consultant(s) shall be based on the consultant's ability to advise the Bank in each of the areas identified in Paragraph 2(a).

[.4] (c) Within 90 days of the effective date of this ORDER, the board of directors, with the assistance of

the outside consultant(s), shall prepare a written plan of implementation ("Plan") addressing the findings of the Management Report. The Plan shall specify the actions to be taken by the board of directors and the time frames for each action.

(d) Within 90 days of the effective date of this ORDER, the board of directors shall prepare a written report ("Written Report") which shall contain a recitation identifying:

(i) the recommendations made by the outside consultant(s) which have been incorporated in the Management Report and Plan;

(ii) a recitation identifying the recommendations made by the outside consultant(s) which were not incorporated in the Management Report and Plan and the reasons for not including such recommendations;

(iii) a copy of any report(s) prepared by the outside consultant(s).

(e) A copy of the Management Report, Plan, and Written Report shall be submitted to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment, and after consideration of such comment, the board of directors shall approve the Management Report and Plan, which approval shall be recorded in the minutes of the meeting of the board of directors. It shall remain the responsibility of the board to fully implement the Plan within the specified time frames. In the event the Plan, or any portion thereof, is not implemented, the board shall immediately advise the Regional Director and the Commissioner, in writing, of the specific reasons for deviating from the Plan.

[.5] 3. (a) Within 90 days from the effective date of this ORDER, the Bank shall have Tier I capital equal to or greater than seven percent (7%) percent of the Bank's Part 325 total assets and a total risk-based capital ratio equal to or greater than eight percent (8%). Within 180 days from the effective date of this ORDER, the Bank shall have Tier I capital equal to or greater than seven and one-half percent (7 1/2%) percent of the Bank's Part 325 total assets. Thereafter, during the life of this ORDER, the Bank shall maintain Tier I capital equal to or greater than seven and one-half per cent (7 1/2%) percent of the Bank's Part 325 total assets and maintain a total risk-based capital ratio equal to or greater than eight (8%) percent.

(b) Any increase in Tier I capital necessary to meet the requirements of Paragraph 3(a) of this ORDER may be accomplished by the following:

(i) The sale of new securities in the form of common stock or non-cumulative perpetual preferred stock; or

(ii) The direct contribution of cash by the directors, shareholders, or parent Bank holding company of the Bank; or

(iii) Any other method acceptable to the FDIC.

(c) If all or part of the increase in Tier I capital required by Paragraph 3(a) of this ORDER is 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 or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only
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to the Bank's existing shareholders), the Bank shall prepare 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 30 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Division of Supervision, Registration and Disclosure Section, 550 17th Street, N.W., Room F-250, Washington, D.C. 20429 for review. Any changes requested to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the Regional Director and the Commissioner allow any part of the increase in Tier I 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 and the Commissioner for prior approval.

(d) In complying with the provisions of Paragraph 3 of this ORDER, the Bank shall provide to any subscriber and/or purchaser of the Bank's 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 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(e) For purposes of this ORDER the terms "Tier I capital," "Part 325 total assets," and "total risk-based capital ratio" shall have the meanings ascribed to them in Subsections 325.2(t), 325.2(v), and 325.2(w) of the FDIC's Rules and Regulations, 12 C.F.R. §§ 325.2(t), 325.2(v) and 325.2(w). The "Capital Calculations" schedule on page 81 of the Joint Report of Examination provides the method for determining the ratio of Tier I capital to Part 325 total assets and for determining the ratio of total risk-based capital to risk-weighted assets as required by this ORDER.

(f) The Bank shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of Bank stock or to any investor by any other means for any portion of any increase in Tier I capital required herein.

[.6] 4. (a) Within 30 days from the effective date of this ORDER, the Bank shall establish and shall thereafter maintain, through charges to current operating income, an adequate valuation reserve for loan and lease losses. In determining the adequacy of the valuation reserve for loan and lease losses, the board of directors of the Bank shall at a minimum consider the following:

(i) Prevailing instructions contained in the Federal Financial Institutions Examination Council booklet entitled "Instructions—Consolidated Reports of Condition and Income";

(ii) The volume and mix of the existing loan portfolio, including the volume and severity of nonperforming loans and adversely classified credits, as well as an analysis of net charge-offs experienced on previously adversely classified loans;

(iii) The extent to which loan renewals and extensions are used to maintain loans on a current basis and the degree of risk associated with such loans;

(iv) The trend in loan growth, including any rapid increase in loan volume within a relatively short time period;

(v) General economic conditions affecting the collectibility of the Bank's loans;

(vi) Previous loan loss experience by loan type, including the trend of net charge-offs as a percent of average loans over the past several years;

(vii) Any risks resulting from the Bank's out-of-territory lending;

(viii) Any other factors appropriate in determining future valuation reserves.

(b) Prior to the submission of any Report of Condition or Report of Income, the board of directors of the Bank shall review the adequacy of the Bank's valuation reserve for loan and lease losses. The minutes of the board meetings at which each review is undertaken shall indicate the results of the review, the amount of any increase to the reserve, and the basis for the amount of the
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valuation reserve. The criteria for the review shall be as set forth in Paragraph 4(a).

(c) Notwithstanding the provisions of Paragraph 4(a) and 4(b) above, the Bank shall achieve, within 30 days of the effective date of this ORDER, a valuation reserve for loan and lease losses, after charge-off of loans classified "Loss" and one-half of loans classified "Doubtful" as required in Paragraph 6(a) below, of not less than \$1,600,000, and shall thereafter maintain, through changes to current operating income, an adequate valuation reserve for loan and lease losses.

(d) In the event that the Regional director and/or the Commissioner determine, at subsequent

examinations and/or visitations, that the Bank's valuation reserve for loan and lease losses is inadequate, the Bank shall amend its Consolidated Reports of Condition and Income in accordance with Paragraph 14, below.

(e) The requirements of Paragraph 4(c) above are not to be construed as a standard for future operations.

[.7] 5. (a) Within 60 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop a written profit plan ("Profit Plan") consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The 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 on not less than a quarterly basis; and
- (iv) A description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(b) Such written Profit Plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. No more than 30 days after the receipt of any comment from the Regional Director or the Commissioner, the board of directors shall approve the written Profit Plan which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank, its directors, officers, and employees shall follow the written Profit Plan and/or any subsequent modification.

[.8] 6. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" and one-half of assets classified "Doubtful" as of December 31, 2000, that have not been previously collected or charged-off. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(b) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and approval a written plan of action directed at lessening the Bank's risk position in each line of credit which was classified "Substandard" or "Doubtful" as of December 31, 2000, and which aggregated \$100,000 or more. Such plan shall include, but not be limited to, the following:

- (i) Target dollar levels to which the Bank will reduce each line of credit or other asset within three months, six months, and twelve months from the effective date of this ORDER; and
- (ii) Provisions for the submissions of monthly written progress reports, under this Paragraph 6, to the Bank's board of directors for review and recordation in the board minutes.

(c) As used in Paragraph 6 the word "reduce" means (1) to collect, (2) to charge-off, or (3) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC.

[.9] 7. (a) Beginning with 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 has a loan or other extension of credit with the Bank that has been charged-off or classified, in whole or in part, "Loss" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing (after collection in cash of interest due from the borrower) any credit already extended to any borrower.

(b) Beginning with the effective date of
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this ORDER, the Bank shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" as of December 31, 2000, without prior

approval by the Bank's board of directors after the board's affirmative determination, as reflected in the minutes of the meeting, that the extension of credit is in full compliance with the Bank's loan policy, that the extension of credit is necessary to protect the Bank's interest or is adequately secured, that credit analysis has determined the customer to be creditworthy, and that all necessary loan documentation is on file, including current financial and cash flow information and satisfactory appraisal, title and lien documents. The minutes shall also include the following information about the extension of credit; (i) The amount adversely classified as of December 31, 2000; (ii) the current balance; (iii) the amount of credit requested; (iv) a description of the collateral and its value securing the credit; and (v) a full description of the documentation presented to the board of directors including the date of the borrower's most recent financial information and the borrower's current income or cash flow data.

[.10] 8. (A) Within 60 days from the effective date of this ORDER, the Bank shall review its written loan policy and make whatever changes may be necessary to provide for the safe and sound administration of all aspects of the lending function. Specific procedures shall be included so that the loan portfolio of all loan officers is monitored on at least a quarterly basis to ensure continuing compliance with the Bank's loan policy. Additionally, the review shall address the exceptions to and implement the recommendations for the loan policy contained on pages 23-26 of the February 12, 2001 Report of Examination. Evidence of the review and establishment of such procedures shall be reduced to writing and included with the meeting minutes of the board of directors. At the conclusion of each review, a written report shall be submitted to the board for review and approval, noting any exceptions to or deviations from the Bank's lending policy, and listing the loan officer responsible for the exception or deviation. Said report shall be made a part of the minutes of the Board meeting. Any changes to the Bank's loan policy, as well as any procedures adopted to insure compliance with current loan policies pursuant to this Paragraph, shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

(b) Beginning with the effective date of this ORDER, the Bank shall review and strengthen its collection policies and procedures to include actions to be taken against delinquent borrowers and adopt and implement a written policy for placing loans on nonaccrual status in conformance with the requirements contained in the Federal Financial Institutions Examination Council booklet entitled "Instructions—Consolidated Reports of Condition and Income."

[.11] 9. Beginning with the effective date of this ORDER, the Bank shall initiate and implement a program to strengthen its credit files and correct the technical exceptions as detailed on pages 75-80 of the Report of Examination. In all future operations, the Bank shall ascertain that all appropriate loan documentation is obtained before credit is extended.

[.12] 10. (a) Within 30 days of the effective date of this ORDER, the board shall establish an internal loan review and grading system ("System") to periodically review the Bank's loan portfolio and identify and categorize problem credits. At a minimum the System shall provide for:

- (i) The identification of the overall quality of the loan portfolio;
 - (ii) The identification and amount of each delinquent loan;
 - (iii) An identification or grouping of loans that warrant the special attention of management;
 - (iv) For each loan identified, a statement of the amount, and an indication of the degree of risk, that the loan will not be fully repaid according to its terms and the reason(s) why the particular loan merits special attention;
 - (v) An identification of credit and collateral documentation exceptions;
 - (vi) The identification and status of each violation of law, rule or regulation;
 - (vii) An identification of loans not in conformance with the Bank's lending policy, and exceptions to the Bank's lending policy;
 - (viii) An identification of insider loan transactions;
 - (ix) An identification of all loans where payment extensions have been approved;
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(x) For each loan identified, a determination whether the extension is supported by a written extension agreement, a statement of the length of the extension, the reason for the extension, whether interest was paid current, and the loan officer responsible for approving the extension; and

(xi) A mechanism for reporting periodically, no less than quarterly, to the board of directors on the status of each loan identified pursuant to this Paragraph, and the action(s) taken by management.

(b) A copy of the reports submitted to the board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be kept with the minutes of the board of directors.

(c) Within 30 days from the effective date of this ORDER the Bank's board of directors shall establish and appoint a loan committee to review and approve in advance all extensions of credit, and/or renewals that when aggregated with all other extensions of credit to that borrower, either, directly or indirectly, exceed or would exceed \$100,000. The review should include financial, income, and cash flow information, collateral values and lien information, repayment terms, past performance by the borrower, the purpose of the extension, and whether the extension complies with the Bank's loan policy and applicable laws, rules and regulations. The loan committee shall meet at least twice monthly and shall maintain written minutes which detail the information reviewed by the loan committee, its conclusions, approvals, denials, recommendations, and reasons for the approval of any credit which does not fully comply with the review requirements set forth in this paragraph. At least monthly, the loan committee shall submit its written minutes to the board of directors. At least two of the members of the loan committee shall be independent, outside directors as defined in Paragraph 1(e) of this ORDER.

[.13] (d) The Board shall continue to limit the lending authority of Bolivar Branch President, James Michael Rowland, to \$50,000 for secured loans and \$10,000 for unsecured loans. Rowland may not combine his lending limit with that of any other Bank loan officer in order to make loans in excess of his personal lending limit. In addition, any loan recommended by Rowland for more than \$50,000 but less than \$100,000 shall be approved by the Bank President (or the Bank's Finance Committee if the President is unavailable) before such loan is extended. All other loans recommended by Rowland shall be reviewed and approved in advance by the Bank's loan committee. Furthermore, the loan committee shall review and approve in advance any loan (regardless of dollar amount) recommended by Rowland which is out-of-territory or which violates the Bank's loan policy.

[.14] 11. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and/or contraventions of FDIC statements of policy, which are set out on pages 35-38 of the Report of Examination of the Bank as of December 31, 2000. In addition, the Bank shall henceforth comply with all applicable laws, regulations and policy statements.

[.15] 12. Within 30 days from the effective date of this ORDER, the board of directors shall develop and implement a policy governing the disbursement of credit life insurance premiums received by the Bank. Pursuant to this policy, the board shall on at least an annual basis:

(a) Formally approve the manner in which this insurance income is to be distributed, the amount of such payments, and the recipients;

(b) Require at least annual reporting and documentation in the board minutes of the dollar amount disbursed to each recipient during the previous calendar year;

(c) Disclose the conduct of such activities to the bonding company and obtain an acknowledgement that these activities do not impair coverage under fidelity bond; and

(d) Formally approve expenses incurred by the Bank in connection with insurance activities and assure that the Bank is adequately compensated for any expenses it incurs in furnishing personnel, equipment, facilities and supplies for conducting this activity.

[.16] 13. While this ORDER is in effect, the Bank shall not declare or pay any cash dividends on its capital stock without the prior written approval of the Regional Director and the Commissioner.

[.17] 14. (a) Within 30 days from the effective date of this ORDER, the Bank shall review all Consolidated Reports of Condition and Income filed with the FDIC on and after

December 31, 2000, and shall amend and file with the FDIC amended Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the date of each such Report.

(b) In addition to the above and during the life of this ORDER, the Bank shall file with the FDIC Consolidated Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the reporting period. In particular such Reports shall include any adjustment in the Bank's books made necessary or appropriate as a consequence of any State or FDIC examination of the Bank during that reporting period.

[.18] 15. Within 90 days of the effective date of this ORDER, the Bank shall sufficiently reduce or otherwise improve assets subject to Special Mention as of December 31, 2000 to warrant removal from the Special Mention category.

16. On the fifteenth day of the second month following the effective date of this ORDER, and on the fifteenth day of every third month thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

17. This ORDER shall become effective ten days from the date of its issuance.

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

Pursuant to delegated authority.

Dated: September 28, 2001.