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{{1-31-05 p.C-6093}}

[¶12,209] **In the Matter of The Jefferson Bank, Fayette, Mississippi**, Docket No. 04-056B (5-18-04).

A cease and desist order was issued, based on findings by the FDIC that it had reason to believe that respondent was engaged in unsafe and unsound banking practices. (*This order was terminated by order of the FDIC dated 12-17-04; see ¶16,407.*)

- [.1] **Management—Qualifications Specified**
 - [.2] **Capital—Tier 1 Capital Increase/Maintain**
 - [.3] **Loan Loss Reserve—Establishment of or Increase in Required**
 - [.4] **Profit Plan—Preparation of Plan Required**
 - [.5] **Assets—Charge-off or Collection**
 - [.6] **Loan Policy—Preparation or Revision of Policy Required**
 - [.7] **Loan Review and Grading System—Establishment of Required**
 - [.8] **Loans—Specific Categories of Loans, Review of Reduction Required—
Catfish Farms**
 - [.9] **Loan Participations—Review Required**
 - [.10] **Violations of Law—Corrections of Violations Required**
 - [.11] **Funds Management and Liquidity—Preparations or Revisions of Funds
Management Policy Required**
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- [.12] **Reports of Condition and Income—Amendment Required**
 - [.13] **Audit—Internal Audit—Minimum Procedures Specified**
 - [.14] **Dividends—Dividends Restricted**
 - [.15] **Information Technology Plan—Review Required**
 - [.16] **Information Technology Plan—Audit Required**
 - [.17] **Information Technology Plan—Auditor Training**
 - [.18] **Disaster Recovery Plan—Required**
 - [.19] **Shareholders—Disclosure of Cease and Desist Order Required**
 - [.20] **Progress Report—Written Report Required**

**In the Matter of
THE JEFFERSON BANK
FAYETTE, MISSISSIPPI
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

FDIC-04-056B

The Jefferson Bank, Fayette, Mississippi ("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/or regulations 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 May 18, 2004, 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 directors, 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 with inadequate provisions for liquidity;
- (f) Operating in such a manner as to produce operating losses;
- (g) Operating in violation of section 23A of the Federal Reserve Act, 12 U.S.C. §371c, made applicable to state nonmember banks by section 18(j)(1) of the Act, 12 U.S.C. §1828(j)(1); Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353; Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323; Part 103 of the Department of the Treasury Rules and Regulations, 31 C.F.R. Part 103; and in contravention of the Joint Agency Policy Statement on Interest Rate Risk; the Interagency Statement of Policy on the Allowance for Loan and Lease Losses; and Appendix A to Part 364 of the FDIC Rules and Regulations, 12 C.F.R. Part 364, Appendix A;
- (h) Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits; and
- (i) Operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Bank.

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

[.1] 1. (a) Within 60 days from the effective date of this ORDER and thereafter 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 official responsible for supervising the Bank's overall lending function. The chief executive officer and the senior lending officer must be full-time, on-site employees of the Bank. The chief executive officer and the senior lending official may be the same individual.

(b) Management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) 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 risks;

(iii) Maintain the Bank in a safe and sound condition, including asset quality, capital adequacy, liquidity adequacy, earnings adequacy, and sensitivity to market risks;

(iv) Comply with all applicable State and Federal laws and regulations.

(c)(i) During the life of this ORDER, the Bank shall notify the Regional Director of the Dallas Region—Memphis Area Office ("Regional Director") and the Commissioner of the Department of Banking and Consumer Finance for the State of Mississippi ("Commissioner") in writing of any resignations and/or terminations of any members of its board of directors and/or any of its senior executive officer(s) within 15 days of the event.

(ii) The Bank shall comply with section 32 of the Act, 12 U.S.C. §1831i.

(d) (i) To ensure both compliance with this ORDER and qualified management for the Bank, the board of directors, within 60 days from the effective date of this ORDER shall develop a written policy ("Management Policy") which shall incorporate an analysis of the Bank's management and staffing requirements and shall, at a minimum address (1) both the number and type of positions needed to properly manage the Bank, (2) a clear and concise description of the needed experience and pay for each job, (3) an evaluation of present management, (4) a plan to recruit, hire or replace personnel with requisite ability and experience, (5) a periodic evaluation of each individual's job performance, and (6) the establishment of procedures to periodically review and update the Management Policy.

(ii) The Management Policy and any subsequent modifications thereto 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 Policy which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management Policy and any modifications thereto.

(e) 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.

(f) 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 five (5) 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

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

[.2] 2. (a) Within 90 days from the effective date of this ORDER, the Bank shall increase its Tier I capital by three hundred and seventy five thousand dollars (\$375,000). Thereafter, during the life of this ORDER, the Bank shall maintain Tier I capital equal to or greater than eight (8.0) percent of the Bank's Part 325 total assets.

(b) Any increase in Tier I capital necessary to meet the requirements of Paragraph 2(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 2(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 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 20 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, Accounting & Securities Unit, 550 17th Street, N.W., Room F-6043, 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 allows 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 for prior approval.

(d) In complying with the provisions of Paragraph 2 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", "total capital" and "Part

325 total assets" shall have the meanings ascribed to them in Part 325 of the FDIC's Rules and Regulations, respectively, subsections 325.2(t) and 325.2(v), 12 C.F.R. 325.2(t) and (v). The "Capital Calculations" schedule on page 85 of the Joint Report of Examination provides the method for determining the ratio of Tier I capital to Part 325 total 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.

[.3] 3. (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;

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(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 and local 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) Off balance sheet credit risks;

(viii) The overall risk associated with each concentration of credit together with the degree of risk associated with each related individual borrower; and

(ix) 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 valuation reserve. The criteria for the review shall be as set forth in Paragraph 3(a).

(c) Notwithstanding the provisions of Paragraph 3(a) and 3(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" as required in Paragraph 5(a) below, of not less than \$985,000 and shall thereafter maintain, through charges 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 12 of the Order.

(e) The requirements of Paragraph 3(c) above are not to be construed as a standard for future operations.

[.4] 4. (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 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, 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.

[.5] 5. (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" as of November 17, 2003, 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 comment a written plan of action directed at lessening the Bank's risk position in each line of credit, or contingent liability which was classified "Substandard" as of November 17, 2003, and which aggregated \$150,000 or more.

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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 last day of the month of the effective date of this ORDER; and
- (ii) Provisions for the submissions of monthly written progress reports under this Paragraph 5 to the Bank's board of directors for review and recordation in the board minutes.

(c) Paragraph 5(a) shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to the extending of any additional credit pursuant to this paragraph, either in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by a majority of the Bank's board of directors, or a designated committee thereof, who shall certify, in writing:

- (i) why the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank;

(ii) that the Bank's position would be improved thereby, and

(iii) how the Bank's position would be improved.

The signed certification shall be made a part of the minutes of the Bank's board or designated committee, and a copy of the signed certification shall be retained in the borrower's credit file, and a copy shall be submitted to the Regional Director and Commissioner.

(d) Beginning with the effective date of this ORDER, the Bank shall not make any further extension of credit to any borrower thereof whose loans in the aggregate exceed \$50,000 and are adversely classified "Substandard" as of November 17, 2003, unless such extension has been approved by a majority of the Bank's board of directors in advance and the Bank's board of directors has detailed in the written minutes of the meeting how it has affirmatively determined all of the following:

(i) That the extension of credit is in full compliance with the Bank's loan policy;

(ii) That it is necessary to protect the Bank's interest or that the extension of credit is adequately secured;

(iii) That based upon credit analysis the customer is deemed to be creditworthy; and

(iv) 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 November 17, 2003;

(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.

(e) Beginning with the effective date of this ORDER, the Bank shall not renew any loan without the full collection of interest due. The issuance of separate notes to the borrowing customer or a third party, the proceeds of which pay interest due, shall not satisfy the requirements of this paragraph unless these separate notes receive prior board approval in the same manner as outlined in Paragraph 5(c).

(f) As used in this paragraph, the term "further extension of credit" shall include renewals, extensions, and a further advancement of funds.

[.6] 6. (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. Proper and adequate loan documentation or evidence thereof as is required by sound Banking practices
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before disbursement of the loan proceeds to borrowers or before renewal or extensions of existing loans shall be part of the review. Such policy shall provide for identification of primary and secondary sources of repayment, the establishment of

and adherence to realistic amortization programs, gathering current financial information, current lien verifications, proper and adequate loan documentation or evidence (including credit bureau reports, tax returns, and verified income statements), and for a written financial analysis of the borrower's information as is required by sound Banking practices before disbursement of the loan proceeds to borrowers or before renewal or extensions of existing loans. In addition, the policy shall provide guidelines establishing collateral margin limits for loans secured by stock in closely-held corporations, guidelines monitoring the progress of a real estate construction loan prior to the disbursement of loan funds (including procedures to ensure complete development of the property), specific criteria for funding and monitoring Federal guaranteed loans, and specific guidelines for preparing periodic budget reports on catfish production loans which compare actual versus projected performance and to document the variance. The Bank shall adopt the changes, and management shall reaffirm its intent to comply with the policy, as amended. Evidence of management's reaffirmation shall be reduced to writing. The policy and its implementation shall be in a form and manner acceptable to the Regional Director and Commissioner as determined at subsequent examinations and/or visitations.

(b) 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 82 and 83 of the Joint Report of Examination. In all future operations, the Bank shall ascertain that all documents or evidence thereof, properly completed, are obtained before credit is extended.

[.7] 7. (a) Within 30 days of the effective date of this ORDER, the board shall establish an effective 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 drafting and implementation of standard loan grading categories and definitions for each grading category;
- (ii) The identification of the overall quality of the loan portfolio;
- (iii) The identification and amount of each delinquent loan;
- (iv) An identification or grouping of loans that warrant the special attention of management;
- (v) 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;
- (vi) An identification of credit and collateral documentation exceptions;
- (vii) The identification and status of each violation of law, rule or regulation;
- (viii) An identification of loans not in conformance with the Bank's lending policy, and exceptions to the Bank's lending policy;
- (ix) An identification of insider loan transactions; and
- (x) A mechanism for reporting periodically, no less than quarterly, to the board of directors on the status of each loan identified 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 60 days of 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 \$250,000. 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 document its review conclusions, approvals, denials and 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-thirds of the members of the loan committee shall be independent, outside directors as defined in Paragraph 1(f) of this ORDER unless the loan committee is composed of all members of the Board of Directors.

[.8] 8. Within 180 days of the effective date of this ORDER, the bank shall submit {{7-31-04 p.C-6100}}

a written proposal, for review and comment, to the Regional Director and the Commissioner for reducing and monitoring the Bank's concentration in catfish farm loans (the "concentration plan") as of November 17, 2003, to an amount which is commensurate with the Bank's business strategy, staff size, management expertise and location. In addition, the concentration plan will provide procedures for monitoring the Bank's compliance with the plan and provide for written reports to the board of directors regarding such compliance at least quarterly, and copies of such reports, shall be made part of the minutes of the board of directors. No more than 30 days after the receipt of any comment from the Regional Director and/or the Commissioner, the board of directors shall approve the concentration 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 plan and/or any subsequent modification.

[.9] 9. Within 60 days of the effective date of this ORDER the Bank shall review all outstanding loan participation agreements entered into with the Bank of Lake Village, Lake Village, Arkansas. The review shall include the Bank's independent calculation of the payments owed the Bank pursuant to each of the loan participation agreements and the determination that all payments owed the Bank have been received by the Bank. Should the Bank determine that additional payments are due and owing, the Bank shall initiate all appropriate steps to collect the funds within 75 days of the effective date of this ORDER.

[.10] 10. Within 60 days of the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are set out on pages 16 through 23 of the Joint Report of Examination of the Bank as of November 17, 2003, with the exception of loan number 1771's violation of Section 23A of the Federal Reserve Act, 12 U.S.C. §371c. In addition, the Bank shall henceforth comply with all applicable laws and regulations.

[.11] 11. Within 60 days of the effective date of this ORDER, the Bank shall formulate and adopt a written liquidity and funds management policy. Such policy shall include the establishment of acceptable ranges of ratios in the following areas: volatile liquidity dependence, total loans to total deposits, and temporary investments to volatile liabilities. In addition, the liquidity policy shall incorporate a funds management program which designates acceptable levels for: volatile liabilities, including borrowings; asset mix, including temporary funds and investments; long-term investment securities and classes of obligors; loans to deposits; and rate-sensitive assets as a percent of rate-sensitive liabilities. The written liquidity and funds management policy shall be submitted to the Regional Director and the Commissioner for review and comment.

[.12] 12. (a) Within 30 days of the effective date of this ORDER, the Bank shall

review the Consolidated Report of Condition and Income filed with the FDIC for the Report period ending December 31, 2003, and shall amend and file with the FDIC and amended Consolidated Report of Condition and Income which accurately reflects the financial condition of the Bank as of the date of 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.

[.13] 13. Within 60 days of the effective date of this ORDER, the Bank shall establish internal audit procedures in accordance with the FDIC's Policy Statement on the Internal Audit Function and Its Outsourcing (Financial Institutions Letter dated March 17, 2003, FIL-21-2003).

(a) set the scope and frequency of, and the fees to be paid for, the work to be performed by the vendor;

(b) set the responsibilities for providing and receiving information, such as the type and frequency of reporting to senior management and directors about the status of contract work;

(c) establish the process for changing the terms of the service contract, especially for expansion of audit work if significant issues are found, and stipulations for default and termination of contract;

(d) state the internal audit reports are the property of the Bank, that the Bank will be provided with any copies of the related workpapers it deems necessary, and that employees authorized by the Bank will

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have reasonable and timely access to the workpapers prepared by the outsourcing vendor;

(e) specify the locations of internal audit reports and related workpapers; and,

(f) specify the period of time that vendors must maintain workpapers.

[.14] 14. 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.

[.15] 15. Within 30 days, the Board will ensure that a review of all user access rights to the Bank's Information Technology systems has been made by the Bank's electronic data processing committee. This review will detail the access rights of all system users including non-bank users who have access to the Bank's records under the outstanding "Agency Agreement." After the review, user access rights will be adjusted, as necessary, to ensure that each user only has access to the resources needed to perform their assigned duties, while providing for the appropriate level of duty separation.

[.16] 16. Within 30 days, the Board will ascertain the Information Technology Audit expertise of the individuals performing the Bank's external Audits.

[.17] 17. Within 60 days, the Board will make arrangements for its internal Information Technology auditor to receive ongoing training in Information Technology Audit procedures. This training will include both general Information Technology Audit training and training on the specific systems and platforms utilized

by the Bank.

[.18] 18. Within 90 days, the Board will develop a Disaster Recovery/Business Continuity Plan. This plan will be coordinated with the service provider and provide sufficient instructions to enable backup personnel to operate at the backup site should the primary individual(s) be unavailable during an Information Technology emergency. This Plan will be developed from an enterprise-wide perspective and be fully tested within 60 days of being developed. The test will utilize only backup supplies and materials and include the backup proof function. After the test a written report will be presented to the Board detailing the test's scope and results.

[.19] 19. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and also (ii) 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, Accounting & Securities Unit, 550 17th Street, N.W., Room F-6043, 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.

[.20] 20. On the twentieth day of each quarter following the effective date of this ORDER, 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 has released the Bank in writing from making further reports.

This Order shall become effective ten (10) days after issuance.

Date: May 18, 2004

Last
Updated legal@fdic.gov
4/16/2005