FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of **GARDEN CITY BANK** **GARDEN CITY, MISSOURI** **(Insured State Nonmember Bank)**	)))))))	**ORDER TO** **CEASE AND DESIST** **FDIC-09-009b**

Garden City Bank, Garden City, Missouri ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and regulation alleged to have been committed by the Bank, as well as of its rights to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") dated January 22, 2009, with counsel for the Federal Deposit Insurance Corporation ("FDIC"), whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law and regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC. The FDIC considered the matter and determined that it had reason to believe that the Bank had engaged in unsafe and unsound banking practices and violations of law and regulation. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law and regulation:

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

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

1. the failure to obtain proper loan documentation;

2. the failure to obtain adequate collateral;

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

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

5. the failure to obtain current and complete financial information;

6. the failure to adhere to established lending policies, which set forth prudent loan underwriting and administration practices;

7. other poor credit administration practices.

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

D. Operating with excessive loan losses and with an excessive level of adversely classified loans or assets.

E. Operating with inadequate risk rating and loan review system.

F. Operating with excessive overhead, and/or occupancy costs and/or personnel costs, and/or inadequate net interest margins.

G. Violating laws and/or regulations, including:

1. the legal lending limit restrictions of the State of Missouri;

2. The real estate appraisal requirements of Part 323 of the FDIC Rules and Regulations, 12 C.F.R. Part 323.

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

1. <u>Assessment of Management</u>.

(a) Within 60 days from the effective date of this ORDER, the board of directors, or a committee appointed by the board, shall analyze and assess the Bank's management and staffing performance and needs. The analysis and assessment shall be summarized in a written report ("Management Report"). At a minimum, the Management Report shall:

(i) Identify the type and number of officer positions needed to manage and supervise the affairs of the Bank, detailing any vacancies or additional needs and giving appropriate consideration to the size and complexity of the Bank;

(ii) Identify the type and number of staff positions needed to carry out the Bank's strategic plan, detailing any vacancies or additional needs;

(iii) Present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority and performance objectives;

(iv) Identify training and development needs;

(v) Identify and establish Bank committees needed to provide guidance and oversight to management; and

(vi) Evaluate the current and past performance of all existing Bank officers, including executive officers and staff members, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner.

(b) Within 10 days of completion of the Management Report, the board will provide a copy of the Management Report to the Regional Director of the FDIC's Kansas City Regional Office, or his designee and the Commissioner of the Missouri Division of Finance (collectively "Supervisory Authorities"), and will complete its review of the Management Report, which shall be recorded in the minutes of the meeting of the board of directors.

(c) Within 30 days of receipt of the Management Report, the board will develop a written Management Plan that incorporates the findings of the report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. A copy of the Management Plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities 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 Plan 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 Plan and any modifications thereto. 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 Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan. At a minimum, the Management Plan shall:

(i) Contain a recitation of the recommendations included in the Management Report;

(ii) Incorporate a plan to provide necessary training and development for all employees;

(iii) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member; and

(iv) Contain a current management succession.

2. Minimum Capital Requirements.

(a) The Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to Eight (8.0) percent of total assets;

(ii) Tier 1 risk-based capital at least equal to Eight (8.0) percent of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to Ten (10.0) percent of total risk-weighted assets.

(b) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(c) Any increase in Tier 1 Capital necessary to meet the requirements of this paragraph may not be accomplished through a reduction from the allowance for loan and lease losses.

(d) In the event any ratio falls below the minimum required by paragraph 1(a), the Bank shall immediately notify the Supervisory Authorities, and shall increase capital in an amount sufficient to comply with this provision or submit a capital plan to the Supervisory Authorities setting forth how the Bank will achieve compliance within the following 30 days.

3. Dividend Restriction.

(a) While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

4. <u>Charge-off of Adversely Classified Assets and Contingent Liabilities</u>.

(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 or portions of assets classified “Loss” in the September 29, 2008, FDIC Report of Examination (“Report of Examination”) that have not been previously collected or charged off.

(b) Additionally, within 10 days after the receipt of any future Report of Examination of the Bank from the FDIC and/or the Missouri Division of Finance, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the Report of Examination that have not been previously collected or charged off.

(c) Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

5. <u>Reduction of Adversely Classified Assets</u>.

(a) Within 60 days from the effective date of this ORDER, the Bank shall develop and complete written plans to reduce the Bank’s risk exposure in each asset in excess of $250,000 classified “Substandard” or “Doubtful” in the Report of Examination. For purposes of this provision, “reduce” means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plans mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the plans mandated by this provision shall also include, but not be limited to, the following:

(i) a requirement that monthly written progress reports be submitted to the board of directors; and

(ii) a requirement mandating board review of the monthly progress reports, with a notation of the review recorded in the minutes of the meeting of the board of directors.

(c) Upon completion, the Bank shall submit the plans to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the plans.

6. <u>Restrictions on Advances to Adversely Classified Borrowers</u>.

(a) While this ORDER is in effect, 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 or obligation with the Bank that has been, in whole or in part, charged off or classified "Substandard" or "Doubtful" and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Paragraph (a) of this provision 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 institution. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank’s board of directors, or a designated committee thereof, who shall conclude and fully documenting in its minutes that:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank's position, with an explanatory statement of why the Bank's position would improve;

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and

(iv) all necessary loan documentation is on file, including, at a minimum, current financial and cash flow information, and satisfactory appraisal, title and lien documents.

(c) The board of director's determination required by paragraph (b) of this provision shall be recorded in the minutes of the meeting of the board of directors, with a copy retained in the borrower's credit file.

7. Capitalized Interest, Interest Reserves and Origination Fees.

(a) Within 90 days from the effective date of the ORDER, the Bank will review and identify all loans originated and/or held by the Bank for which all or any part of interest reserves, accrued but unpaid interest and/or loan origination fees (including broker fees) have been added to the principal of the loan or otherwise booked on the accounts of the Bank either during the term of the loan or as part of its renewal. This information will be compiled into a report including the borrower's name, loan origination date and amount, current outstanding loan amount, interest reserve dollar amount, term of the interest reserve, funding history of the interest reserve, cumulative amount of capitalized interest and amount of capitalized fees. This report is to be maintained, updated and reviewed by the board of directors on a quarterly basis in connection with preparation of the Bank's Call Reports. The report will be provided to the Supervisory Authorities upon request.

(b) Within 90 days from the effective date of this ORDER, the Bank will analyze each loan that includes capitalized interest and/or capitalized fees identified pursuant to subparagraph (a) above. For those loans, and for any future loans, the Bank shall not capitalize interest and/or loan origination fees unless a thorough review and analysis of current financial information has determined the borrower to be creditworthy and there is an expectation of repayment based upon a reasonably ascertainable event. The Bank shall retain documentation of such determination in the borrower's credit file. Any exception to this prohibition shall have the prior review and approval of the board of directors, which shall be documented with the supporting documentation in the board’s minutes and the borrower’s loan file. The Bank shall limit its use of interest reserves to the funding of the construction phase of projects that have a term which corresponds with the loan’s development timeline, and shall not be renewed, replenished, or advanced further than the original timeframe needed to construct the project without the prior review and approval of the board of directors, which shall be documented with the supporting documentation in the board’s minutes and the borrower’s loan file. In addition, the Bank shall not renew or advance maturity dates of interest reserves, or use interest reserves for other than construction or development projects, without the prior review and approval by the board of directors, which shall be documented, with supporting documentation in the board’s minutes and the borrower’s credit file.

(c) For any loans with capitalized interest or capitalized fees that do not meet the criteria of subparagraph (b), such capitalized interest and capitalized fees shall be reversed or charged off in accordance with the methods permitted in the Call Report Instructions.

(d) Notwithstanding anything above to the contrary, the Bank shall not in any event add interest reserves, origination fees or accrued but unpaid interest into the unpaid balance of a loan if the loan was adversely classified in the Bank’s most recent Report of Examination by either the FDIC or the Missouri Division of Finance, or identified by the Bank’s internal loan review program as Substandard, Doubtful, Loss, “value impaired,” or “nonaccrual.”

8. Implementation of Independent Loan Review Program.

(a) Within 60 days of the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a review of the Bank’s loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(i) prompt identification of loans with potential credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) appropriate grading of adverse classification of loans, especially those with well-defined credit weaknesses that jeopardize repayment, so that timely action can be taken and credit losses can be minimized.

(iii) suggested action plans to reduce the Bank’s risk exposure from each identified relationship;

(iv) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(v) identification of trends affecting the quality of the loan portfolio, and potential problem areas;

(vi) assessment of the overall quality of the loan portfolio;

(vii) identification of credit and collateral documentation exceptions;

(viii) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(ix) identification of loans that are not in conformance with the Bank's lending policy; and

(x) identification of loans to directors, officers, principal shareholders, and their related interests.

(b) The Bank shall submit the program to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the board of directors' meeting. Thereafter, the Bank shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the board of directors, as well as documentation of the actions taken by the Bank or recommendations to the board that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or other elements of the Bank's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the board of directors.

9. Maintenance of Allowance for Loan and Lease Losses.

(a) Within 10 days from the date of this ORDER, the board of directors shall make a provision which will replenish the allowance for loan and lease losses ("ALLL") for the loans charged off as a result of the most recent examination and reflect the potential for further losses in the remaining loans or leases classified "Substandard" and "Doubtful" in the Report of Examination as well as all other loans and leases in its portfolio.

(b) Within 30 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the ALLL. The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter in order that the findings of the board may be properly reported in the Bank's Call Reports. Such reviews shall, at a minimum, be made in accordance with the Call Report Instructions, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the appropriateness of the Bank's ALLL, and any analysis of the Bank's ALLL provided by the Supervisory Authorities.

(c) A deficiency in the Bank's ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank's submission of its Call Report. The board of directors shall thereafter maintain an appropriate ALLL.

(d) The Bank shall submit the policy and ALLL methodology to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the policy.

10. Other Real Estate Policy.

Within 60 days from the effective date of this ORDER, the board of directors shall develop a written policy for managing the Other Real Estate ("ORE") of the Bank. At a minimum, the policy shall provide for:

(a) review of the ORE portfolio, at least quarterly, by a committee appointed by the board of directors;

(b) documentation that taxes and insurance premiums are paid in a timely manner;

(c) resolution of documentation exceptions;

(d) independent appraisal of each parcel at the time of foreclosure and periodically thereafter (but no more than 12 months from the date of the prior appraisal report);

(e) determination by the ORE committee that each parcel of ORE is listed with a real estate broker or otherwise made widely available for sale within an appropriate timeframe and at a realistic selling price; and

(f) detailed report from the ORE committee to the board of directors at least quarterly, with a copy of the report, including documentation of the action taken to facilitate the timely sale of ORE, made part of the board minutes.

11. Business/Strategic Plan and Profit and Budget Plan.

Within 90 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 and fully implement a written three-year business/strategic plan and one-year profit and budget plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days after the receipt of any comment from the Supervisory Authorities, the board of directors shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall fully implement these plans and any subsequently approved modifications.

12. Liquidity and Funds Management.

(a) Within 45 days from the effective date of this ORDER, the Bank shall prepare a written liquidity analysis and projection for the sources and uses of funds, including but not limited to the following:

Sources:

(i) listing of loans available for participation or sale and a list of committed purchasers;

(ii) a listing and projected pay offs or pay downs of loans;

(iii) a listing of all funding sources and borrowings and level of commitments/availability;

(iv) projection and breakdown of deposit growth from non-brokered deposits and sources;

Uses:

(v) listing and timing of contractually binding loan commitments that are expected to be funded;

(vi) projections, including best and worst case scenarios, for known maturities or anticipated withdrawals of large public/private deposits;

Projections and Contingency Plans:

(vii) projections for loan growth and total asset size of the Bank; and

(viii) specific contingency plans in the event that anticipated events do not materialize, or in case of some other liquidity emergency.

(b) Within 30 days from the effective date of this ORDER, the Bank shall review its liquidity and funds management policies and plans, and develop or amend each as necessary.

Said policies should address the concerns detailed in the Report of Examination, and specifically how the Bank will increase its liquid assets and reduce its reliance on liabilities for liquidity purposes. The Bank shall submit the policies and plans, and any future modifications, to the Supervisory Authorities for review and comment. Within 10 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the revised policies and plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the policies and plans.

13. Violations of Law and Regulations.

Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are more fully set out in the Report of Examination. In addition, the Bank shall take all necessary steps to ensure future compliance with all applicable laws and regulations.

14. Disclosure of Order to Shareholders.

Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank’s next shareholder communication, and (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, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, 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.

15. Progress Reports Detailing Compliance with ORDER.

(a) Within 45 days of the end of the first quarter following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

(i) description of the identified weaknesses and deficiencies;

(ii) provision(s) of the ORDER pertaining to each weakness or deficiency;

(iii) actions taken or in-process for addressing each deficiency;

(iv) results of the corrective actions taken;

(v) the Bank's status of compliance with each provision of the ORDER; and

(vi) appropriate supporting documentation.

(b) Progress reports may be discontinued when the Regional Director has, in writing, released the Bank from making additional reports.

MISCELLANEOUS

The provisions of this ORDER shall not bar, estop or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

Nothing herein shall prevent the FDIC from conducting on-site reviews and/or examination of the Bank, its affiliates, agents, servicers, and other institution-affiliated parties at any time to monitor compliance with this ORDER.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

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

Issuance Pursuant to Delegated Authority.

Dated: January 29, 2009

By:

Mark S. Moylan
Deputy Regional Director
Kansas City Regional Office