FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	ORDER TO CEASE AND DESIST
THE FELTON BANK FELTON, DELAWARE	)	FDIC-09-432b
(Insured State Nonmember Bank)	)	

The Felton Bank, Felton, Delaware ("Bank"), through its board of directors, having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulation alleged to have been committed by the Bank and of its right to a hearing on the alleged 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") with counsel for the Federal Deposit Insurance Corporation ("FDIC") dated October 26, 2009, 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 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 or unsound banking practices and violations of law and/or regulation. The FDIC, therefore, accepts the CONSENT AGREEMENT and issues the following:

ORDER TO CEASE AND DESIST

IT IS 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 contraventions of policy:

1. Operating the Bank without adequate supervision and direction by the Bank's board of directors over the management of the Bank to prevent unsafe or unsound banking practices and contraventions of policy.
2. Operating the Bank with an excessive level of adversely classified loans or assets.
3. Operating the Bank with an inadequate level of capital protection for the kind and quality of assets held by the Bank.
4. Operating the Bank with inadequate earnings to fund growth and augment capital.
5. Operating the Bank without adequate liquidity and funds management policies and procedures.
6. Operating with an inadequate allowance for loan and lease losses for the volume, type and quality of loans and leases held.
7. Operating the Bank with concentrations of credit.

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

MANAGEMENT

1. (a) The Bank shall have and retain qualified management. Each member of

management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

(1) comply with the requirements of this ORDER;

(2) operate the Bank in a safe and sound manner;

(3) comply with applicable laws and regulations; and

(4) restore all aspects of the Bank to a safe and sound condition, including improving the Bank's asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director of the FDIC's New York Regional Office ("Regional Director") in writing of any resignations or terminations of any member of the Bank's board of directors ("Board") or senior management officer within 15 days of the event. "Senior Management Officer" shall include the Bank's chairman of the Board, vice-chairman of the Board, president, chief executive officer, executive vice president(s), senior vice president(s), and chief financial officer. In addition, the Bank shall establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. Part 303, which sets forth the procedures for submitting notice to the Regional Director of a change in any member of its Board or Senior Management Officer.

CAPITAL

2. (a) While this ORDER is in effect, the Bank shall have a ratio of Tier 1 capital to total assets ("Tier 1 leverage ratio") of not less than 8 percent and a ratio of qualifying total capital to risk-weighted assets ("Total Risk-Based Capital ratio") of not less than 12

percent. The Tier 1 leverage ratio and Total Risk-Based Capital ratio shall be calculated according to the methodology set forth in Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325.

(b) In the event the Bank's Tier 1 leverage ratio falls below 8 percent or its Total Risk-Based Capital ratio falls below 12 percent, the Bank shall immediately notify the Regional Director in writing and capital shall be increased in an amount sufficient to meet the minimum capital ratios required by this paragraph within 30 days.

(c) The amount of capital needed to maintain the ratios at the levels required in subparagraph 2(a) shall be in addition to a fully funded allowance for loan and lease losses, the adequacy of which shall be satisfactory to the Regional Director as determined at subsequent examinations and/or visitations.

(d) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director a written capital plan. Such capital plan should address both internal and external sources of capital augmentation, including capital infusions, retention of earnings, asset sales, and restrictions of asset growth and shall detail the steps that the Bank shall take to achieve and maintain the capital requirements set forth in subparagraph 2(a) above. In developing the capital plan, the Bank shall consider, at a minimum:

(1) the volume of the Bank's adversely classified assets;

(2) the nature and level of the Bank's asset concentrations;

(3) the adequacy of the Bank's allowance for loan and lease losses;

(4) the anticipated level of retained earnings;

(5) anticipated and contingent liquidity needs; and

(6) the source and timing of additional funds to fulfill future capital

needs.

(e) In addition, the capital plan shall include a contingency plan in the event that the Bank has (i) failed to maintain the minimum capital ratios required by subparagraph 2(a), (ii) failed to submit an acceptable capital plan as required by subparagraph 2(d) or (iii) has failed to implement or adhere to a capital plan to which the Regional Director has taken no written objection pursuant to this subparagraph. Said contingency plan shall include a plan to merge the Bank with or the acquisition by another federally insured institution or holding company thereof. The Bank shall implement the contingency plan upon written notice from the Regional Director.

(f) The Bank shall submit the capital plan to the Regional Director for review and comment. Within 30 days after the Regional Director has responded to the plan, the Bank shall adopt the plan as amended or modified by the Regional Director, which approval shall be recorded in minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement the capital plan.

(g) No increase in Tier 1 capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Bank's allowance for loan and lease losses or other reserve accounts

(h) 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's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(i) For purposes of this ORDER, all terms in this Order relating to capital shall be calculated according to call report instructions, FIL-20-2009, and the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

ALLOWANCE FOR LOAN AND LEASE LOSSES

3. The Bank shall maintain a reasonable Allowance for Loan and Lease Losses ("ALLL"). Prior to the end of each calendar quarter, the Bank's board of directors shall review the adequacy of the Bank's ALLL. Such reviews shall include, at a minimum, the Bank's loan loss experience, an estimate of the potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's board of directors' meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

4. (a) Within 10 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the FDIC Report of Examination as of March 31, 2009. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit a detailed written plan to the Regional Director to reduce the remaining assets classified "Doubtful" or "Substandard" in the Report of Examination. The plan shall address each loan relationship or other asset so classified with a balance of $500,000 or greater and provide the following:

(1) the name under which the asset is carried on the Bank's books;

(2) type of asset;

(3) actions to be taken in order to reduce the classified asset; and

(4) timeframes for accomplishing the proposed actions.

The plan shall also include, at a minimum:

(1) a review of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(2) an evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(c) The plan mandated by this paragraph shall further require a reduction in the ratio of the aggregate balance of assets classified "Substandard" and "Doubtful" in the Report of Examination to Tier 1 Capital plus the ALLL in accordance with the following schedule:

(1) By March 31, 2010, to not more than 100% of Tier 1 capital plus the ALLL; and

(2) By September 30, 2010, to not more than 60% of Tier 1 capital plus the ALLL.

In addition, the plan shall contain a schedule detailing the projected reduction of total classified assets and/or increase in the sum of Tier 1Capital plus the ALLL on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Board and a provision mandating a review by the Board.

(d) The requirements of this paragraph do not represent standards for future operations of the Bank. Following achievement with any expected or anticipated reduction schedule, the Bank shall continue to reduce the total volume of adversely classified assets.

(e) The Bank shall submit the plan to the Regional Director for review and comment. Within 30 days after the Regional Director has responded to the plan, the Board shall adopt the plan as amended or modified by the Regional Director, which approval shall be recorded in the minutes of the Board meeting. The Bank shall then immediately initiate measures detailed in the plan to the extent such measures have not been initiated.

(f) For purposes of the plan, the reduction of adversely classified assets may be accomplished by charge-off; collection; sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC; or an increase in the Bank's Tier 1 capital.

(g) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" as determined at any future examination.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

5. (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 whose existing credit has been classified "Loss" in the Report of Examination, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing (after full collection, in cash, of interest due from the borrower) any credit already extended to the borrower. Paragraph 5(a) of this provision shall not apply if the Bank obtains the prior nonobjection of the Regional Director. The Bank's written request for the Regional Director's nonobjection to such extension of credit shall explain:

(1) Why failure of the Bank to extend such credit would be

detrimental to the best interests of the Bank; and

(2) That the extension of such credit would improve the Bank's position, including an explanatory statement of how the Bank's position would improve.

(b) 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 whose extension of credit is classified "Doubtful" and/or "Substandard" in the Report of Examination, either in whole or in part, and is uncollected, unless the Board has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable meeting of the Board and submitted to the Regional Director with the quarterly progress reports required pursuant to paragraph 13 of this ORDER.

REDUCTION OF CONCENTRATIONS

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director, for review and comment, an acceptable written plan for systematically monitoring and reducing the Bank's commercial real estate ("CRE") loan concentration of credit to not more than 300 percent of the Bank's Total Risk-Based Capital and Acquisition, Development and Construction ("ADC") loan concentration of credit to not more than 100 percent of the Bank's Total Risk-Based Capital. Such plan shall prohibit any advances that would increase the concentration unless the advance is pursuant to an existing loan agreement and shall include, but not be limited to:

(1) dollar levels to which the Bank shall reduce the concentrations;

(2) timeframes for achieving the reduction in dollar levels in response

to (1) above;

(3) provisions requiring compliance with the *Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Prac*tices (FIL-104-2006, issued December 12, 2006) and *Managing Commercial Real Estate Concentrations in a Challenging Environment* (FIL-22-2008, issued March 17, 2008);

(4) provisions for controlling and monitoring concentrations of credit, including segmentation and testing of the loan portfolio to detect and limit concentrations of loans with similar risk characteristics; and

(5) provisions for the submission of monthly written progress reports to the Board for review and notation in minutes of the Board meetings.

(b) For purposes of the plan, "reduce" means to charge-off or collect, or increase Tier 1 capital.

(c) Within 30 days after the Regional Director has responded to the plan, the Board shall adopt the plan as amended or modified by the Regional Director, which approval shall be recorded in the minutes of the Board meeting. The plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

LIQUIDITY AND FUNDS MANAGEMENT

7. (a) Within 60 days after the effective date of this ORDER, the Bank shall revise its liquidity and funds management plan and submit it to the Regional Director for review and comment. Annually thereafter, while this ORDER is in effect, the Bank shall review its plan for adequacy and, based upon such review, shall make necessary revisions to the plan to strengthen funds management procedures and maintain adequate provisions to meet the Bank's

liquidity needs. The revised plan shall include, at a minimum, provisions:

(1) establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report and shall address the means by which the Bank will seek to reduce its reliance on non-core funding and high cost rate-sensitive deposits;

(2) establishing overall funding mix parameters;

(3) establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs; and

(4) addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding channels.

(b) Within 30 days after the Regional Director has responded to the revised plan, the Board shall adopt the revised plan as amended or modified by the Regional Director. The revised plan shall be implemented immediately to the extent that the provisions of the revised policy plan are not already in effect at the Bank.

BROKERED DEPOSITS

8. (a) Beginning with the effective date of this ORDER, and so long as this ORDER is in effect, the Bank shall not accept, renew, or rollover any brokered deposit, as that term is defined in section 337.6(a)(2) of the FDIC's Regulations, 12. C.F.R. § 337.6(a)(2), unless the Bank has been granted a waiver by the Regional Director.

(b) While this ORDER is in effect, the Bank shall comply with the restrictions on the effective yield on deposits described in Part 337 of the FDIC Rules and Regulations, 12

C.F.R. Part 337, and *Interest Rate Restrictions on Institutions That are Less Than Well Capitalized* (FIL-25-2009, issued May 29, 2009).

PROFIT PLAN AND BUDGET

9. (a) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director for review and comment within 30 days after the end of each year. Within 30 days after receipt of all such comments from the Regional Director and after adoption of any recommended changes, the Bank shall approve the written profit plan and budget, which approval shall be recorded in the Board minutes. Thereafter, the Bank shall implement and follow the plan. The plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) Within 45 days after the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the written profit plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the Board minutes when such evaluation is undertaken.

EXECUTIVE COMPENSATION

10. Within 30 days after the effective date of this ORDER, the Bank shall submit to the Regional Director for review and approval an executive compensation plan which

incorporates qualitative as well as profitability performance standards. For purposes of this paragraph, "compensation" refers to any and all salaries, bonus and other benefits of every kind and nature whatsoever, both current and deferred, whether paid directly or indirectly. Executive officers are defined as any officer designated as chairman of the board, vice-chairman of the board, president, chief executive officer, executive vice president, senior vice president, or chief financial officer.

CORRECTION AND PREVENTION

11. Beginning on the effective date of this ORDER, the Bank shall take steps necessary, consistent with other provisions of this ORDER and sound banking practices, to correct violations of law or regulation and contravention of interagency policies that were identified in the Report of Examination and implement all recommendations and findings.

COMPLIANCE COMMITTEE

12. Within 30 days after the effective date of this ORDER, the Board shall establish a compliance committee of the Board with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. At least 75 percent of the members of such committee shall be directors not employed in any capacity by the Bank, other than as a director. The committee shall maintain minutes for all meetings. The compliance committee shall report monthly to the entire Board, and a copy of the report and any discussion related to the report or this ORDER shall be included in the minutes of the Board meeting. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

13. Within 45 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director written progress reports 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, in writing, the Bank from making further reports.

SHAREHOLDERS

14. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company in conjunction with the Bank's next shareholder communication. The description shall fully describe the ORDER in all material respects.

REGIONAL DIRECTOR

15. Whenever a provision of this ORDER shall require the Bank to submit a proposed letter, report, or other matter to the Regional Director for review, comment and/or non-objection, the Bank shall make such submission to the Regional Director at 20 Exchange Place, New York, New York 10005.

ORDER EFFECTIVE

16. This ORDER shall be binding upon the Bank, its successors and assigns, and all institution-affiliated parties of the Bank. The provisions of this ORDER shall remain effective

and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, superseded, or set aside in writing by the FDIC.

This ORDER will become effective upon its issuance by the FDIC.

Pursuant to delegated authority.

Dated this 27th day of October, 2009.

/s/
James C. Watkins
Deputy Regional Director
New York Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation