

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

and

STATE OF IOWA  
SUPERINTENDENT OF BANKING  
DES MOINES, IOWA

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In the Matter of:	)	
	)	CONSENT ORDER
	)	
STATE CENTRAL BANK	)	FDIC-11-306b
KEOKUK, IOWA	)	
	)	
(Insured State Nonmember Bank)	)	
	)	

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The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for State Central Bank, Keokuk, Iowa ("Bank") under 12 U.S.C. § 1813(q). The Bank was chartered by the Superintendent of Banking for the State of Iowa ("Superintendent").

Based on the findings set forth in the February 28, 2011, FDIC Report of Examination ("Report of Examination"), the FDIC and the Superintendent (collectively, the "Supervisory Authorities") determined that the requirements for an order under 12 U.S.C. § 1818(b) and Iowa Code Section 524.223 have been satisfied.

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the

Issuance of a Consent Order" ("Stipulation"), dated August 16, 2011, that is accepted by the FDIC and the Superintendent. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, to the issuance of this Consent Order ("Order") by the FDIC and the Superintendent.

The Bank and its Holding Company, Logan Investment Corporation, have been subject to an Order to Cease and Desist ("State C&D Order") issued by the Superintendent on July 28, 2010. The Bank has not obtained compliance with the State C&D Order. However, to avoid confusion and the potential for conflicting mandates under this Consent Order and the State C&D Order, the Bank and the Superintendent have agreed that the provisions of this Consent Order shall supersede the provisions of the State C&D Order that apply to the Bank; and that the State C&D Order continues to apply to the Holding Company.

Based on the above, the FDIC and the Superintendent hereby order that:

1. **Assessment of Management.**

The Bank shall have and retain qualified management.

(a) Each member of management shall have the qualifications and experience commensurate with assigned duties and responsibilities at the Bank and shall be provided

appropriate written authority from the Bank's Board to implement the provisions of this Order. Management shall include the chief executive officer, senior lending officer, and chief financial officer.

(b) The qualifications of management shall be assessed on its ability to:

- (i) Comply with the requirements of this Order;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws and regulations; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, risk management, liquidity, and sensitivity to market risk.

(c) Within 90 days from the effective date of this Order, the Bank shall employ, subject to approval of the Supervisory Authorities, a qualified president and/or chief executive officer with specialized knowledge and experience in working out and collecting problem credits and assets from sources outside of the Bank. The president and/or chief executive officer shall be vested with the necessary authority to oversee and direct daily operations, including personnel decisions, and shall be directly responsible to the Board.

(d) Within 60 days from the effective date of this Order, the Board shall engage an independent third party, acceptable to

the Supervisory Authorities, and that possesses appropriate expertise and qualifications to analyze and assess the bank's management and staffing performance, needs, and compensation. A proposed copy of the engagement letter shall be provided to the Supervisory Authorities for review and approval. The engagement shall require that the analysis and assessment be summarized in a written report to the Board ("Management Study") within 90 days.

(e) Within 30 days of receipt of the Management Study, the Board will develop a written Management Plan that addresses the findings of the Management Study, a plan of action in response to each recommendation contained in the Management Study, and a time frame for completing each action. A copy of the Management Study and Management Plan and any subsequent modifications 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 shall approve the Management Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank and its directors, officers, and employees shall implement and follow the Management Plan. It shall remain the responsibility of the Board to fully implement the Management Plan within the specified time frames. In the event the Management 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.

**2. Charge-off of Adversely Classified Assets.**

(a) Within 10 days of the effective date of this Order and within 10 days after the receipt of any future reports of examination of the Bank from either of the Supervisory Authorities, 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 and such future reports of examination that have not been previously collected or charged off.

(b) Elimination or reduction of assets through the proceeds of other loans or extensions of credit made by the Bank is not considered collection for purposes of this Order.

**3. Reduction of Adversely Classified Assets.**

(a) Within 90 days from the effective date of this Order and 60 days from receipt of future reports of examination from either of the Supervisory Authorities, the Bank shall develop and complete a written plan to reduce the Bank's risk exposure in each asset in excess of \$150,000 classified "Substandard" or "Doubtful" in the Report of Examination, in such future reports of examination, and internally by the Bank. 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 such adverse classification.

(b) In developing the plans mandated by this paragraph, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including sources of repayment and repayment ability, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) The plans mandated by this provision shall include, at a minimum, the following:

(i) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(ii) a requirement that quarterly written progress reports be submitted to the Board; and

(iii) a requirement that the Board review the progress reports and record a notation of the review in the minutes of the Board meetings at which such reports are reviewed.

(d) The Board shall approve the plans, which approval shall be recorded in the Board's minutes. Thereafter, a copy of the plan or portion thereof that pertains to a specific borrower shall be maintained in the borrower's credit file, and the Bank shall implement and fully comply with the plan.

**4. Restrictions on Advances to Adversely Classified Borrowers.**

(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 adversely classified "Substandard" or "Doubtful" in the Report of Examination and is uncollected, classified "Substandard" or "Doubtful" in any future reports of examination from either of the Supervisory Authorities and is uncollected, or classified "Substandard" or "Doubtful" internally by the Bank and is uncollected. The requirements of this subparagraph (a) 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) Subparagraph (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 Bank. Prior to extending additional credit pursuant to this subparagraph (b), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or a committee thereof, who shall conclude:

(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; and

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

(c) The conclusions and approval made pursuant to subparagraph (b) of this provision shall be made a part of the minutes of the meeting of the Board, or committee thereof, at which the extension of credit is approved, with a copy retained in the borrower's credit file.

**5. Independent Loan Review Program.**

(a) Within 90 days, the Board shall develop a written loan review program that provides for a periodic and independent review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the written program shall be consistent with the "Loan Review Systems" Section of the December 13, 2006 "Interagency Policy Statement on Allowance for Loan and Lease Losses."

(b) The Bank shall submit the written program to the Supervisory Authorities for review and comment with the first Progress Report required by this ORDER. Within 30 days from receipt of any comment from the Supervisory Authorities and after consideration of all such comments, the Board shall approve the program, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the loan review program.

**6. Loan Policy, Credit Administration, and Overdrafts.**

(a) Within 120 days from the effective date of this Order, the Board shall review and revise the Bank's written loan policies and procedures to address the comments and criticisms in the Report of Examination, including criticisms regarding the Bank's collection practices and procedures for granting overdrafts. A summary of the changes to the loan policies and procedures shall be provided to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comment from the Supervisory Authorities, and after consideration of any recommended changes the Bank shall approve the revised loan policies and procedures, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the revised loan policies. In the event the Bank considers making a loan that would not conform with the Bank's

loan policies, the loan shall receive prior review and approval by the Board, or a committee thereof. The reason for non-conformance and the Board's prior review and approval shall be documented in the Board's minutes and in the loan file for that loan.

(b) Within 90 days from the effective date of this Order, the Bank shall maintain a record of loans in excess of supervisory loan-to-value limits and report the aggregate amount of such loans to the Board at least quarterly. The report shall be noted in the Board's minutes.

**7. Correction of Technical Exceptions.**

(a) Within 90 days from the effective date of this Order and 90 days from receipt of future reports of examination from either of the Supervisory Authorities, the Bank shall correct the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" pages of the Report of Examination and future reports of examination. All attempts to correct exceptions shall be documented in the borrowers' credit files. In all future operations, the Bank shall ensure that all necessary supporting documentation is obtained and evaluated before any credit or loan is extended by the Bank.

(b) Progress reports detailing each outstanding special mention deficiency and technical exception and the Bank's plan

for corrective action shall be submitted to the Board for review during each regularly scheduled meeting. The review shall be noted in the Board's minutes.

**8. Maintenance of Allowance for Loan and Lease Losses**

**("ALLL")**.

(a) Within 60 days from the effective date of this Order, the Board shall establish a comprehensive policy and methodology for determining the appropriateness of the ALLL. The policy shall provide for a review of the ALLL at least once each calendar 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 the comments provided by the FDIC in the Report of Examination.

(b) 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 shall thereafter maintain an appropriate ALLL.

**9. Maintenance of Capital.**

(a) While this Order is in effect, the Bank shall have and maintain the following minimum capital ratios (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate ALLL:

(i) Tier 1 "Leverage Capital Ratio" at least equal to 8 percent; and

(ii) "Total Risk-Based Capital Ratio" at least equal to 12 percent.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank shall immediately notify the Supervisory Authorities and within 60 days shall: (1) increase capital in an amount sufficient to comply with subparagraph (a) of this provision, or (2) submit a written plan to the Supervisory Authorities for review and comment, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements of subparagraph (a) above, as well as a contingency plan including the possible sale, merger, and/or liquidation of the Bank in the event the primary sources of capital are not available. Within 30 days of receipt of any such comments from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the written plan, which approval shall be recorded in the Board's

minutes. Thereafter, the Bank shall implement and fully comply with the written plan.

**10. Restrictions on Dividends and Management Fees.**

While this Order is in effect, the Bank shall not declare or pay any dividends or any management and/or consultant fees without the prior written approval of the Supervisory Authorities.

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

(a) Within 120 days of the effective date of this Order, the Board shall develop a written three-year business/strategic plan and a profit and budget plan covering the overall operation of the Bank and its goals and strategies through year-end 2011, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order.

(b) By January 31 of each year thereafter, the Board shall review and update the strategic plan, review and approve operating strategies for the current year, and approve the budget for the current year.

(c) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position.

The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(d) The Board shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the Board's minutes. Thereafter, the business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities, and the Bank shall implement and fully comply with the plans.

**12. Elimination and/or Correction of Violations of Laws, Rules, and Regulations.**

(a) Within 90 days after the effective date of this ORDER, and within 60 days after receipt of any future reports of examination of the Bank by either of the Supervisory authorities, the Bank shall submit plans of action to the Supervisory Authorities for review and comment that address all apparent violations of law, rules, and regulations, cited in the Report of Examination, and such future reports of examinations.

(b) The plans of actions required by this paragraph shall:  
(i) detail corrective actions taken and planned to correct, eliminate and/or address, and prevent the recurrence of all

apparent violations of law, rules and regulations detailed in the Report of Examination, and such future reports of examinations; and (ii) require progress reports submitted to the Board for review on at least a quarterly basis detailing each outstanding violation and the status of the Bank's plan for corrective action.

(c) The Board shall approve the plans of action and record such approval in the Board's minutes. Thereafter, the Bank shall follow the plans of action and shall document in the Board's minutes all actions taken to implement the plans of action required by this paragraph. A copy of those plans of action shall be provided to the Supervisory Authorities with the first progress report required by this ORDER.

**13. Disclosure of Order to Sole Shareholder.**

Following the effective date of this Order, the Bank shall provide a copy of this Order to its sole shareholder, (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.

**14. Progress Reports Detailing Compliance with Order.**

(a) Within 90 days of the effective date of this Order, and within 45 days of the end of each calendar 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.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

#### **MISCELLANEOUS**

The provisions of this Order shall not bar, estop, or otherwise prevent the FDIC, the Superintendent, 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.

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 Supervisory Authorities.

Issued Pursuant to Delegated Authority

Dated: August 24, 2011

FEDERAL DEPOSIT INSURANCE CORPORATION

By:

/s/  
Mark S. Moylan  
Deputy Regional Director

STATE OF IOWA  
DIVISION OF BANKING

By: /s/  
James M. Schipper  
Superintendent