FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of **BRICKWELL COMMUNITY BANK** **WOODBURY, MINNESOTA** **(Insured State Nonmember Bank)**	**ORDER TO CEASE AND DESIST** **FDIC-08-332b**

Brickwell Community Bank, Woodbury, Minnesota ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices alleged to have been committed by the Bank, and its right to a hearing on those 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 March 2, 2009, with counsel for the Federal Deposit Insurance Corporation ("FDIC"), whereby, solely for the purpose of this proceeding and without admitting or denying any unsafe or unsound banking practices, the Bank consented to the issuance of the following 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. 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:

A. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

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

C. Operating with an inadequate level of capital protection for the kind and quality of assets held and/or appropriate to the risk inherent in the activities engaged in by the Bank.

D. 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.

E. 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 extension of credit with inadequate diversification of risk;

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

8. other poor credit administration practices.

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

G. Operating with excessive interest rate sensitivity risk.

H. Operating with inadequate liquidity in light of the Bank’s asset and liability mix.

I. Operating with an inadequate risk rating and loan review system.

J. Operating with an inadequate asset/liability and/or funds management policy.

K. Operating with inadequate policies to monitor and control asset growth.

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

M. Operating with inadequate internal routines and controls.

N. Operating with an inadequate audit program.

O. Failing to keep accurate books and records.

P. Operating with inadequate management of its Information Technology operations.

Q. Operating with an inadequate corporate information security policy to safeguard confidential consumer information.

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

1. Qualified Management.

(a) From the effective date of this ORDER, the Bank shall take action to have qualified management. Each member of management shall have the requisite knowledge, skills, ability and experience, giving consideration to the size and complexity of the Bank, to operate the Bank in a safe and sound manner and in compliance with applicable laws and regulations, as well as to restore the Bank to a satisfactory financial condition. Each member of management shall be provided appropriate written authority from the board of directors to implement the provisions of this ORDER.

(b) Immediately, and periodically during the life of this ORDER, but no less frequently than annually, the board of directors shall assess management on its ability to:

(i) comply with the requirements of this ORDER, all applicable State and Federal laws and regulations, FDIC and FFIEC policy statements, and the Bank’s approved policies and procedures; and

(ii) restore and thereafter maintain the Bank in a safe and sound condition, including, but not limited to, capital adequacy, asset quality, earnings, management effectiveness, liquidity, sensitivity to market risks, information technology, and Bank Secrecy Act/Anti-Money Laundering compliance.

2. Assessment of Qualified Management.

(a) The board of directors shall engage an independent third party acceptable to the Regional Director of the Kansas City Regional Office of the FDIC (“Regional Director”) and the Deputy Commissioner for the Minnesota Department of Commerce (“Deputy Commissioner”) (collectively, “Supervisory Authorities”) and that possesses appropriate expertise and qualifications to analyze and assess the Bank's management and staffing performance and needs. Specifically, the assessment shall provide an evaluation of the current and past performance of all existing Bank executive officers, 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. The engagement shall require that the analysis and assessment shall be summarized in a written report to the board of directors ("Management Report") within 120 days from the effective date of this ORDER. Within 10 days of receipt of the Management Report, the board will conduct a full and complete review of the Management Report, which review shall be recorded in the minutes of the meeting of the board of directors.

(b) The Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or contract with the third party for review.

(c) Within 30 days of receipt of the Management Report, the board of directors will develop a written Management Plan that addresses 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 Report and Management Plan and any subsequent modification thereto shall be immediately 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. 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.

3. Changes in Board of Directors or Senior Officers.

The Bank shall notify the Supervisory Authorities in writing of any resignations or terminations of any members of its board of directors or any of its senior executive officers within 15 days of the event. The Bank shall also establish procedures to ensure compliance with section 32 of the FDI Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 through 303.103.

4. Program for Monitoring Bank's Compliance with Order.

Within 60 days of the effective date of this ORDER, the board of directors shall adopt and implement a program for monitoring the Bank's compliance with this ORDER.

5. Minimum Capital Requirements.

(a) Within 90 days of the effective date of this ORDER, the Bank shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325), after establishing an appropriate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to nine (9.0) percent of total assets; and

(ii) total risk-based capital at least equal to eleven (11.0) percent of risk-weighted assets ("capital ratios").

(b) Within 30 days of the last day of each calendar quarter, the Bank shall determine, from its Reports of Condition and Income, its capital ratios for that calendar quarter. If either capital ratio falls below the established minimum, within 30 days of such required determination, the Bank shall submit a written plan to the Supervisory Authorities, describing the means and timing by which the Bank shall increase such ratio(s) up to or in excess of the established minimum(s).

(c) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations.

6. Restrictions on Dividends.

The Bank shall not declare or pay any cash dividend or capital distribution without the prior written approval of the Supervisory Authorities.

7. Charge-off of Adversely Classified Assets.

(a) Within 30 days of 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 Report 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.

8. Reduction of Adversely Classified Loans.

(a) Within 60 days of the effective date of this ORDER, the Bank shall develop a written plan to reduce the Bank's risk exposure in each loan in excess of $100,000 classified "Substandard" in the Report of Examination. For purposes of this ORDER, "reduce" means to collect, charge off, or improve the quality of a loan so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plans required by this provision, the Bank shall, at a minimum, 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) The plans required by this provision shall also include, but not be limited to, the following:

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

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

(iii) a requirement that the board of directors review the monthly progress reports and record a notation of the review in the minutes of the board.

(c) The board of directors shall approve the plans, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank and its institution-affiliated parties shall implement the plans.

9. Restrictions on Advances to Adversely Classified Borrowers.

(a) 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" in the Report of Examination and is uncollected. The Bank shall not be prohibited from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) The Bank shall not be prohibited from extending additional credit to any borrower if the Bank’s failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. The Bank shall not extend further credit to any such borrower, whether in the form of a renewal, extension, or further advance of funds, unless additional credit shall have been approved in advance by the Bank’s board of directors, or a designated committee thereof, who, after thorough review, shall have concluded and fully documented in its minutes that:

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

(ii) the extension of such credit would improve the Bank’s position, including an explanatory statement of how the Bank’s position would be improved; and

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

A copy of the board’s or committee’s conclusions and approval shall be retained in the borrower’s credit file.

10. <u>Concentrations of Credit</u>.

(a) Within 60 days of the effective date of this ORDER, the Bank shall develop a written plan ("Concentration Plan") intended to systematically reduce and monitor the Bank's concentrations listed in the Report of Examination to an amount which is commensurate with the Bank's business strategy, management expertise, and financial condition. The Concentration Plan shall establish an appropriate concentration risk limit for the commercial real estate portfolio, as well as concentration risk limits for each segment of the portfolio with common risk characteristics or sensitivities to economic, financial, or business developments. Concentration risk limits will be expressed as a percentage of Total Capital.

(b) The board of directors shall review, on a monthly basis, the level and trend of concentrations, actual levels compared to levels targeted in the Concentration Plan, and reports that describe the state of and changes in commercial real estate market conditions in the geographic areas in which the Bank lends.

(c) Immediately after development, the Concentration Plan shall be submitted 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 board of directors shall approve the

Concentration Plan, which approval shall be recorded in the minutes of the board. Thereafter, the Bank and its institution-affiliated parties shall fully implement the Concentration Plan. The Concentration Plan shall be reviewed at least annually and amended as appropriate to manage the risk in the commercial real estate portfolio.

11. <u>Correction of Technical Exceptions</u>.

(a) Within 90 days from the effective date of this ORDER, the Bank shall correct the exceptions listed on the “Assets with Credit Data or Collateral Documentation Exceptions” pages of the Report of Examination.

(b) For any exception that cannot be corrected, the Bank shall document the reason for such inability in the borrower’s credit file, and the Board of Directors shall review and include copy of the documentation in the Board’s minutes.

(c) Progress reports detailing each outstanding exception and the Bank’s plan for corrective action shall be submitted to the board for review during each regularly scheduled meeting. The report shall be made part of, and the review noted, in the board’s minutes.

(d) From the effective date of this ORDER, the Bank shall ensure that the necessary supporting documentation is obtained and evaluated before any credit or loan is extended.

12. <u>Implementation of Loan Policy</u>.

Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank’s loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Bank’s asset quality and lending functions and to prevent further deterioration. 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 Bank’s board of directors. 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.

13. <u>Implementation of Independent Loan Review Program</u>.

(a) Within 30 days of the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(i) identification of loans with 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) identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank's risk exposure;

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

(iv) identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(v) identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(vi) identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;

(vii) identification of loans to directors, officers, principal shareholders, and their related interests; and

(viii) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (vii) above to the board of directors. The report shall also describe the action(s) taken by management with respect to problem credits.

(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.

14. Maintenance of Allowance for Loan and Lease Losses.

(a) Within 30 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 (“allowance”) 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” in the Report of Examination as well as all other loans and leases in its portfolio.

(b) Within 90 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the adequacy of the allowance. The policy shall provide for a review of the allowance at least once each calendar quarter in order that the results of the review conducted by the board may be properly reported in the quarterly Reports of Condition and Income. Such reviews shall, at a minimum, consider the following:

(i) the Federal Financial Banks Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the adequacy of the Bank's allowance, and any analysis of the Bank's allowance provided by the FDIC and the Minnesota Department of Commerce;

(ii) the volume and mix of the overall loan portfolio, including trends in the portfolio mix by loan type and geography, trends in the severity of nonperforming or delinquent loans, trends in the severity of weaknesses in extensions of credit identified as "Special Mention" and adversely classified in the latest Report of Examination;

(iii) previous loan loss experience by loan type, including the level, trends, and severity of overdrafts, trend of net charge-offs as a percent of average loans over the past several years, as well as an analysis of net charge-offs experienced on previously adversely classified loans;

(iv) the degree of risk associated with renewed and extended loans;

(v) the volume, trend, rate and duration of loan growth;

(vi) the results of internal loan reviews;

(vii) concentrations of credit and significant individual credits;

(viii) present and prospective economic conditions, generally and locally;

(ix) off-balance sheet credit risks; and

(x) any other factors appropriate in determining future allowances, including changes in the Bank’s strategic plan, and loan products and markets.

(c) A deficiency in the allowance 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 Report of Condition and Report of Income. The board of directors shall thereafter maintain an adequate allowance.

(d) The Bank shall submit the policy 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.

15. Formulation and Adoption of Business/Strategic Plan.

(a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and adopt a comprehensive business/strategic plan covering at least an operating period of three years. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; and long-range goals and project plans.

(c) The Bank shall submit the strategic plan to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Supervisory Authorities and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors.

Thereafter, the Bank shall implement and follow the strategic plan.

16. <u>Profit and Budget Plan</u>.

(a) Within 90 days of the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop a written profit plan ("Profit Plan") consisting of goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions required by this ORDER.

(b) Immediately after development, the Profit Plan and any subsequent modification thereto shall be submitted 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 board of directors shall approve the Profit Plan, which approval shall be recorded in the minutes of the board. Thereafter, the Bank and its institution-affiliated parties shall fully implement the Profit Plan and any subsequently approved modification.

17. <u>Internal Audit Program</u>.

(a) Within 90 days from the effective date of this ORDER, the Bank shall develop an internal audit program that establishes procedures to protect the integrity of the Bank's operational and accounting systems. At a minimum, the program shall conform to the Interagency Policy Statement on the Internal Audit Function and its Outsourcing and provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records. In addition, the program shall provide for monthly reports of audit findings from the internal auditor directly to the board of directors and for the board's consideration of these reports. The minutes of the meetings of the board of directors shall reflect consideration of these reports and describe any discussion or action taken as a result thereof.

(b) The Bank shall submit the program to the Supervisory Authorities for review and comment. Within 30 days from the receipt of any such comments 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 meeting of the board of directors. The Bank shall thereafter implement and enforce the program.

18. Internal Routine and Control Review.

(a) Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement a written policy for the operation of the Bank in such a manner as to provide internal routine and controls consistent with safe and sound practices. The Bank shall submit the policy to the Supervisory Authorities for review and comment. Within 30 days from the receipt of any such comments 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 meeting of the board of directors. The Bank shall thereafter implement and enforce the policy.

(b) Within 90 days from the effective date of this ORDER, the Bank shall contract with a qualified, independent public audit firm acceptable to the Supervisory Authorities to address concerns in the Report of Examination and to perform a study of the Bank’s activities. A copy of the contract or engagement letter shall be submitted to the Supervisory Authorities.

19. Funds Management Policies and Plans.

(a) Within 60 days from the effective date of this ORDER, the Bank shall review its written funds management policies and plans, and amend each as necessary. The Bank shall submit the policies and plans, and any future modifications, to the Supervisory Authorities for review and comment. Within 30 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.

(b) Annually, the Bank shall review this policy for adequacy and, based upon the above criteria, shall make necessary revisions to the policy.

20. Information Technology Management Committee.

Within 60 days from the effective date of this ORDER, the board will establish an IT Committee to coordinate the overall management of the Bank’s IT operations and address Report of Examination information security recommendations. The board shall approve a charter for this committee, specifying membership, frequency of meetings, responsibilities, and delegated authority. This committee shall meet at least quarterly and report its activities to the board of directors. Written minutes of discussions and decisions will be maintained with all actions reported to the board of directors.

21. Disclosure.

The Bank shall send, or otherwise furnish, to its shareholders 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 by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

22. Progress Reports.

On or before May 15, 2009, the Bank shall furnish a written progress report to the Supervisory Authorities, using financial data as of March 31, 2009, detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Thereafter, the Bank shall furnish written progress reports upon request by the Supervisory Authorities; provided such request is made at least 30 days prior to the progress report due date. The 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:

(a) description of the identified weaknesses and deficiencies;

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

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

(d) results of the corrective actions taken;

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

(f) appropriate supporting documentation.

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.

Issued Pursuant to Delegated Authority.

Dated: _March 3, 2009__________

By:

/s/________________________
Mark S. Moylan
Deputy Regional Director
Kansas City Regional Office