FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	
BANKCHEROKEE	)	**ORDER TO CEASE AND DESIST**
ST. PAUL, MINNESOTA	)	
	)	**FDIC-08-168b**
(Insured State Nonmember Bank)	)	

BankCherokee, St. Paul, 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 September 3, 2008, 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 has reason to believe that the Bank has engaged in unsafe and unsound banking practices. The FDIC, therefore, accepts the CONSENT AGREEMENT and issues 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 an inadequate level of capital protection for the kind and quality of assets held and appropriate to the risk inherent in the Bank’s activities;

B. operating with an excessive level of adversely classified loans and other real estate (“ORE”) and nonperforming loans;

C. operating with practices that produce inadequate earnings; and

D. operating with an excessive concentration of real estate loans, including development and construction loans, as described on page 2 of the FDIC’s March 24, 2008, Report of Examination of the Bank (“Report of Examination”) and with an excessive volume of such loans being adversely classified.

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

1. <u>Minimum Capital Requirements</u>.

(a) Within 30 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 eight (8.0) percent of total assets; and

(ii) total risk-based capital at least equal to ten (10.0) 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 Regional Director of the FDIC’s Kansas City Regional Office ("Regional Director") and the Deputy Commissioner of the Minnesota Department of Commerce Financial Examinations Division ("Deputy Commissioner") (collectively "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.

2. 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.

3. 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.

4. 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 $250,000 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.

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

(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.

6. Concentrations of Credit.

(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 concentration in commercial real estate loans and related ORE (“commercial real estate portfolio”) 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.

7. Profit and Budget Plan.

(a) Within 60 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) The Profit Plan shall include, at a minimum:

(i) realistic and comprehensive budgets for all categories of income and expense items;

(ii) a description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(iii) coordination of the Bank's loan, investment, funds management, and operating policies; strategic plan; and allowance for loan and lease loss methodology with the profit and budget planning;

(iv) a budget review process to monitor the revenue and expenses of the Bank whereby actual performance is compared against budgetary projections not less than quarterly;

(v) recording the results of the budget review and any actions taken by the Bank as a result of the budget review in the minutes of the board of directors; and

(vi) the individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

(c) 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.

8. 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.

9. 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.

10. Progress Reports.

On or before November 15, 2008, the Bank shall furnish a written progress report to the Supervisory Authorities, using financial data as of September 30, 2008, 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.

11. <u>Disclosure</u>.

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.

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: September 16, 2008

By:

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Mark S. Moylan
Deputy Regional Director
Kansas City Regional Office