FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of **HILLCREST BANK FLORIDA** **NAPLES, FLORIDA** **(Insured State Nonmember Bank)**	)))))))))	**ORDER TO CEASE AND DESIST** **FDIC-09-466b**

Hillcrest Bank Florida, Naples, Florida ("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 23, 2009, with counsel for the Federal Deposit Insurance Corporation ("FDIC"), whereby, solely for the purpose of this proceeding and without admitting or denying any allegations of 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 a board of directors and management that failed to implement adequate policies and practices for the prudent operation of the Bank.

B. Operating with inadequate capital and an inadequate allowance for loan 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.

C. Engaging in imprudent lending and lax collection practices.

D. Operating with an excessive level of adversely classified loans or assets, and/or delinquent loans and/or nonaccrual loans.

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

F. Operating with inadequate earnings.

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, including the appropriate number and type of senior executive officers, as defined in 12 C.F.R. § 215.2(e)(1), with 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, and restore the Bank to a satisfactory financial condition, including, but not limited to, capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to market risk. Each senior executive officer shall be provided appropriate written authority from the board of directors to implement the provisions of this ORDER.

(b) Within 60 days from the effective date of this ORDER, the board of directors shall assess the Bank's senior executive officers' 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, and sensitivity to market risks.

The board shall report its findings in minutes of the board of directors meetings.

(c) In the event of a vacancy in the Bank's necessary management structure of senior executive officers as determined under this ORDER, the board shall document in its minutes the Bank's efforts to expeditiously fill that vacancy with a qualified individual.

2. Capital Restoration and Maintenance.

(a) Within 10 days of the effective date of this ORDER, the Bank shall submit a written plan to the Supervisory Authorities describing the means and timing by which the Bank shall increase and thereafter maintain its level of capital for a Total Risk-Based Capital Ratio of not less than 13 percent and a Tier 1 Leverage Capital Ratio of not less than 10 percent (the "Capital Plan").

(b) Within 30 days of receipt of any written comments from the Supervisory Authorities, and after consideration of all such comments, the Bank's board of directors shall approve the Capital Plan, which approval shall be recorded in the minutes of the meeting of the board of directors at which the Capital Plan is approved. Thereafter, while this ORDER is in effect, the Bank shall implement and fully comply with the Capital Plan.

(c) Within 30 days from the last day of each calendar quarter the Bank shall determine from its Reports of Condition and Income ("Call Reports"), its capital ratios for that calendar quarter, which are to be used in determining progress under the Capital Plan and adherence to this paragraph.

(d) In the event the Bank fails to achieve the capital restoration or maintenance required under the Capital Plan and this provision of the ORDER, the Bank shall immediately notify the Supervisory Authorities and within 15 days shall: (1) increase capital in an amount sufficient to achieve compliance or (2) submit a written revised plan to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth in subparagraph (a) above, as well as a contingency plan in the event the primary sources of capital are not available ("Revised Capital Plan"). 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 Capital Plan, which approval shall be recorded in the minutes of the meeting of the board of directors at which the Revised Capital Plan is approved. Thereafter, the Bank shall implement and fully comply with the Revised Capital Plan.

3. Dividend Restriction.

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. Charge-off of Adversely Classified Assets.

(a) Within 10 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 July 20, 2009 FDIC Report of Examination ("Report of Examination"), that have not been previously collected or charged off.

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

5. Reduction of Adversely Classified Assets.

(a) Within 60 days from the effective date of this ORDER, the Bank shall formulate written plans to reduce the Bank's risk exposure in each asset in excess of $100,000 adversely classified as "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.

(b) In developing the plans mandated by subparagraph (a) above, 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) Upon completion of the plans, the Bank shall immediately submit the plans to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Regional Director, and after consideration of all such comments, the Bank's board of directors shall approve the plans, which approval shall be recorded in the minutes of the meeting of the board of directors for the meeting at which such plans are approved. Thereafter, the Bank shall implement and fully comply with the plans.

6. 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," either internally or by either of the Supervisory Authorities in a Report of Examination in the last 18 months, or at the most recent ongoing FDIC examination and is uncollected, or classified “Substandard” or “Doubtful” in any future Reports of Examination from either of the Supervisory Authorities 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) 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 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:

(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 the failure to extend such credit 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 board of directors’ conclusions and approval shall be made a part of the minutes of meeting of the board, or designated committee thereof, at which the extension of credit is approved, with a copy retained in the borrower’s credit file.

7. Maintenance of Allowance for Loan and Lease Losses.

From the effective date of this ORDER the Bank’s board of directors shall cause the Bank to maintain an appropriate ALLL. Any 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 determinations of the Bank’s capital ratios as required by this ORDER and prior to the Bank’s submission of its Call Report.

8. <u>Implementation of Loan Review</u>.

(a) Within 30 days of the effective date of this ORDER, the board shall review and revise the Bank's written independent loan review program ("Loan Review Program") for the periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the Loan Review Program shall provide for:

(i) prompt 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) 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) 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;

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

(xi) written reports to the board of directors regarding items (i) through (x) above.

(b) The Bank shall submit the Loan Review Program to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Regional Director, and after consideration of all such comments, the Bank shall approve the Loan Review Program, which approval shall be recorded in the minutes of the board of directors meeting at which the Loan Review Program is approved. Thereafter, the Bank shall implement and fully comply with the Loan Review Program.

(c) Upon implementation of the Loan Review Program, a copy of each written report shall be submitted to the board of directors and shall include 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 at which the report is received and considered.

9. Brokered Deposits.

Within 30 days of the effective date of this ORDER, the Bank shall prepare an updated written plan for reducing its reliance on "brokered deposits," as defined in 12 C.F.R. § 337.6(a)(2) ("Brokered Deposit Plan"). The Brokered Deposit Plan shall detail the current composition of the Bank's brokered deposits by maturity and explain the means by which such deposits will be paid. Upon completion, the Bank shall submit the Brokered Deposit Plan to the Supervisory Authorities for review and comment.

10. **Liquidity and Funds Management.**

(a) From the effective date of this ORDER, the Bank shall continue reviewing and revising its written liquidity analysis and projection for its sources and uses of funds, including, but not limited to, the following:

Sources:

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

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

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

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

Uses:

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

(vi) projections for known maturities of brokered deposits;

(vii) projections, including best and worse case scenarios, of large public/private deposit withdrawals;

Projections and Contingency Plans:

(viii) projections for curtailing loan growth and shrinking the total asset size of the Bank; and

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

(b) The written analysis and projections required by subparagraph (a) above shall be reviewed for viability on a daily basis, and updated as necessary.

11. <u>Business/Strategic Plan and Profit and Budget Plan</u>.

(a) Within the first 30 days of each calendar year, 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.

(b) 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. Within 30 days after the receipt of any written comments from the Regional Director, and after consideration of all such comments, 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 board of directors at which the plan is approved. Thereafter, the Bank shall implement and fully comply with the plans.

12. <u>Disclosure of Order to Shareholders</u>.

Following the effective date of this ORDER, the Bank shall provide a copy or otherwise furnish a description of this ORDER to its 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. 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.

13. <u>Progress Reports Detailing Compliance with ORDER</u>.

(a) Within 45 days of the end of the first calendar quarter following 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 Regional Director has, in writing, released the Bank from making additional reports.

14. Binding Effect.

(a) 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.

(b) The provisions of this ORDER shall not bar, estop or otherwise prevent the Supervisory Authorities or any other federal or state agency or department from taking any action against the Bank, any of the Bank's current or former institution-affiliated parties, or agents for improper acts or omissions, violations of any law or regulations, or engaging in unsafe or unsound banking practices.

Issued Pursuant to Delegated Authority.

Dated the ___ day of September, 2009

By:

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Mark S. Moylan
Deputy Regional Director
Kansas City Regional Office