

STATE OF NEBRASKA
Department of Banking & Finance

In the Matter of)	FINDINGS OF FACT
Cedar Rapids State Bank,)	CONCLUSIONS OF LAW
213 West Main Street,)	AND
Cedar Rapids, Nebraska)	CONSENT AGREEMENT

THIS MATTER comes before the Nebraska Department of Banking and Finance ("DEPARTMENT"), by and through its Director, pursuant to its authority under the Nebraska Banking Act, Neb. Rev. Stat. §§ 8-101 to 8-1,140 (Reissue 1997; Cum. Supp. 2002). Pursuant to Neb. Rev. Stat. §§ 8-108 and 8-1,134 (Reissue 1997), the Department has investigated the acts of Cedar Rapids State Bank, 213 West Main Street, Cedar Rapids, Nebraska ("CEDAR RAPIDS"). As a result of such investigation, and being fully advised and informed in the matter, the Director, CEDAR RAPIDS, and members of CEDAR RAPIDS' board of directors enter into the following Findings of Fact, Conclusions of Law and Consent Agreement ("Agreement").

FINDINGS OF FACT

1. CEDAR RAPIDS is currently, and at all times relevant to this Agreement was, a bank chartered by the DEPARTMENT to transact business in Nebraska, pursuant to Neb. Rev. Stat. § 8-115 (Cum. Supp. 2002). Accounts in CEDAR RAPIDS are insured by the Federal Deposit Insurance Corporation ("FDIC").

2. On October 7, 2002, an examination of CEDAR RAPIDS was made by the FDIC ("FDIC examination"). A copy of the findings of the FDIC examination, with a cover letter dated November 27, 2002, was received by the DEPARTMENT on December 3, 2002.

3. Violations of state law, specifically violations of the lending limit statute, Neb. Rev. Stat. § 8-141 (Cum. Supp. 2002), were cited in the FDIC examination. The FDIC cover letter specifically noted that, "In particular, the lending limit violation is especially disturbing. It appears the bank's lending limit was knowingly exceeded, and has been exceeded for an extended amount of time."

4. The FDIC examination shows that the loan in question appeared to have originally exceeded the bank's lending limit on June 1, 2001, and despite restructuring of the debt, remained in excess of the legal lending limit through December 30, 2001. On December 31, 2001, payments reduced the balance to below CEDAR RAPIDS' lending limit.

5. On January 23, 2002, an operating line advance brought the loan back above the legal lending limit. On February 9, 2002, the line returned to compliance when payments were made to the loan.

6. On February 13, 2002, CEDAR RAPIDS committed to a new operating line of credit without having the necessary loan participations available to keep the line of credit within the legal lending limit. At this time, the line of credit again was above the legal lending limit and remained there through the examination date.

7. The FDIC examination noted that the line of credit exceeded CEDAR RAPIDS' lending limit for all but 27 days since June 1, 2001. The FDIC examination further noted that all of the extensions to the line of credit since June 1, 2001, received loan committee approval and that the board of directors had reviewed and approved the loan committee minutes detailing their review and approval of extensions to this line of credit.

8. The DEPARTMENT received a letter dated November 25, 2002, from Michael J. Sullivan ("Sullivan"), President of CEDAR RAPIDS on November 26, 2002. Sullivan's letter stated, "As of today the Section 8-141 violation has been corrected."

9. In a letter dated December 12, 2002, the DEPARTMENT asked CEDAR RAPIDS for a more detailed response explaining how and when the lending limit violation was corrected. This letter also asked for a detailed explanation with respect to another violation cited in the FDIC examination which included a conflict of interest involving CEDAR RAPIDS' Vice President Jack [John] Mansfield ("Mansfield") acting as the primary loan officer on credits advanced to a person with whom he was related and that persons' automobile dealership, which resulted in losses to the bank. Additionally, the DEPARTMENT asked for details regarding the actions that the board of directors had taken to ensure that any loans with that person would be properly administered in the future. [brackets added]

10. On December 26, 2002, the DEPARTMENT received a letter dated December 24, 2002, from Sullivan which stated with respect to the lending limit violation that, "On December 10, 2002 the total on this credit was brought in compliance with the Bank's lending limit through paydown by borrower from proceeds of sealing (sic) corn and from sales of soybeans and corn."

11. In the December 24, 2002 letter Sullivan further stated with respect to the conflict of interest issue that, "At a meeting of the Board of Directors on December 19, 2002, with all directors present, it was voted to charge off the [person with whom Mansfield had a conflict of interest] loan. It has been closed out and the Board has voted that no further borrowings will be initiated with [that person] unless there is full

Board approval, with Mr. Jack [John] Mansfield abstaining from all votes pertaining thereto. . . While it may have appeared that the Board gave little or no attention to this matter, we have, in fact, over the last two years discussed this situation at numerous Board meetings as evidenced by the enclosed copies of Board minutes. In addition, President Sullivan and Director Cox discussed [that person's] financial situation numerous times over the course of those years, knowing full well the potential for conflict of interest with [Mansfield] being a loan officer at the Bank." [brackets added]

12. By letter dated January 9, 2003, the DEPARTMENT asked CEDAR RAPIDS to clarify the discrepancy between the two dates Sullivan gave for correction of the lending limit violation and to explain why the credit in question was in violation of the lending limit for such an extended period of time.

13. On January 23, 2003, the DEPARTMENT received a letter from Sullivan, which admitted that, "Up until November 25, 2002, Cedar Rapids State Bank was in violation of the Bank's lending limit." The correspondence provided a synopsis of the activity and circumstances surrounding the loan in question. This synopsis stated in part that, "Yes, there was a contravention to lending regulations, and yes, there was poor judgment in not securing an early letter of commitment. . . While not documented in Board minutes, discussions continued among management and Board members concerning the dilemma, with the assumption that all avenues were being explored to try to rectify the problem."

14. Information from bank records obtained during the FDIC examination indicates a profit of approximately nine thousand eight hundred dollars (\$9,800.00) was made by CEDAR RAPIDS due to the violation of the legal lending limit.

15. According to DEPARTMENT records, the current members of the board of directors of CEDAR RAPIDS include Sullivan, Mansfield, Larry R. Cox, Rita Smiley, and Kathleen A. Sullivan. Each of these members of the board of directors was on the Board at all times pertinent to these matters. In addition, Sullivan and Mansfield are both currently licensed with the DEPARTMENT as executive officers of CEDAR RAPIDS.

CONCLUSIONS OF LAW

1. Neb. Rev. Stat. § 8-1,134(2) (Reissue 1997) provides, in part, that the Director may by order impose a fine, in addition to the costs of the investigation, upon a person found to have violated any provision of Chapter 8 of the Nebraska Statutes or the rules, regulations, or orders of the DEPARTMENT.

2. Section 8-1,134(2) further provides that the fine shall not exceed ten thousand dollars per violation for the first offense and twenty-five thousand dollars per violation for a second or subsequent offense involving a violation of the same provision of Chapter 8.

3. Section 8-1,134(2) further provides that an alleged violator shall have an opportunity for a fair hearing.

4. Neb. Rev. Stat. § 8-141 (Cum. Supp. 2002) provides, in part, that no bank shall directly or indirectly loan any single corporation, limited liability company, firm, or individual, more than twenty-five percent of the paid-up capital, surplus, and capital notes and debentures or fifteen percent of the unimpaired capital and unimpaired surplus of such bank, whichever is greater, unless an exception exists. The statutory exceptions to § 8-141 are not applicable in this matter.

5. Neb. Rev. Stat. § 8-124 (Cum. Supp. 2002) provides, in part, that the affairs and business of any bank shall be managed or controlled by a board of directors.

6. Neb. Rev. Stat. § 8-126 (Cum. Supp. 2002) provides that the DEPARTMENT has authority to take action against any director of a bank if the Director of the DEPARTMENT finds the bank director is conducting the business of the bank in an unsafe or unauthorized manner.

7. Neb. Rev. Stat. § 8-139 (Reissue 1997) provides, in part, that no loan shall be made by a bank, directly or indirectly, without the approval of an active executive officer. Section 8-139 further provides that the DEPARTMENT has authority to take action against any active executive officer of a bank if the DEPARTMENT finds that such executive officer is conducting its business in an unsafe or unauthorized manner, or is endangering the interests of the stockholders or depositors.

8. The facts recited in Findings of Fact #s 3, 7, and 13, above, show that Section 8-141 was knowingly violated by CEDAR RAPIDS and its board of directors.

9. The facts recited in Findings of Fact #s 4 through 7, above, show that Section 8-141 was violated on multiple occasions involving the same borrower.

10. The representations recited in Findings of Fact #s 7 and 13, above, show that each director serving on CEDAR RAPIDS' board of directors was informed of the violation and the circumstances surrounding that violation and chose not to take any action to remedy the violation.

11. The representations recited in Findings of Fact # 11, above, show that each director serving on CEDAR RAPIDS' was informed of the conflict of interest issue with

respect to Mansfield's involvement with making a loan to a person with whom he was related and that person's dealership.

12. The facts show that the directors and certain officers of CEDAR RAPIDS' were conducting the business of the bank in an unsafe and unauthorized manner.

13. The Director of the DEPARTMENT has legal and equitable authority to fashion significant protective remedies.

14. It is in the best interest of CEDAR RAPIDS and its board of directors, and it is in the public's best interest, for CEDAR RAPIDS, its board of directors and the Director of the DEPARTMENT to resolve the issues included herein.

CONSENT AGREEMENT

NOW THEREFORE, the parties to this Agreement agree as follows:

Stipulations: In connection with this Agreement, CEDAR RAPIDS, the members of its board of directors, and the Director of the DEPARTMENT agree to the following:

- a. The DEPARTMENT has jurisdiction as to all matters herein.
- b. An Agreement should be entered in this matter, which shall be in lieu of all other proceedings by the DEPARTMENT, except as specifically referenced in this Agreement.

CEDAR RAPIDS and the members of its board of directors further represent as follows:

1. CEDAR RAPIDS and the members of its board of directors are aware of their right to a hearing on this matter at which they may be represented by counsel, present

evidence, and cross-examine witnesses. The right to such a hearing and any related appeal on all matters covered by this Agreement, is irrevocably waived.

2. CEDAR RAPIDS and the members of its board of directors are acting free from any duress or coercion of any kind or nature.

3. This Agreement is executed to avoid further proceedings and constitutes an admission of violations solely for purposes of this Agreement and for no other purposes.

FURTHER, CEDAR RAPIDS and the members of its board of directors agree to take whatever action is necessary to ensure compliance in the future. If, at any time, the DEPARTMENT determines that CEDAR RAPIDS or any member of its board of directors has committed any other violations, the DEPARTMENT may take any action available to it under Nebraska law and may consider this Agreement when fashioning any such remedies.

IT IS THEREFORE AGREED that Cedar Rapids State Bank, 213 West Main Street, Cedar Rapids, Nebraska, shall pay a fine in the amount of nine thousand eight hundred dollars (\$9,800.00). Such payment shall be made by check or money order payable to the Nebraska Department of Banking and Finance within thirty (30) days from the date of this Agreement.

IT IS FURTHER AGREED that CEDAR RAPIDS shall ensure that each member of the board of directors of CEDAR RAPIDS participates in six (6) hours of directors education, the type of which shall be pre-approved by the DEPARTMENT, within one year from the date of this Agreement.

IT IS THEREFORE AGREED that Michael J. Sullivan, as President, Chief Executive Officer, and member of the board of directors of Cedar Rapids State Bank,

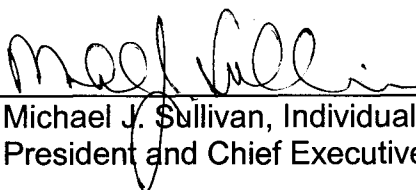
Cedar Rapids, Nebraska, shall pay a fine in the amount of ten thousand dollars (\$10,000.00).


IT IS FURTHER AGREED that Larry R. Cox, John A. Mansfield, Rita Smiley, and Kathleen A. Sullivan, as members of the board of directors of Cedar Rapids State Bank, 213 West Main Street, Cedar Rapids, Nebraska, shall each pay a fine in the amount of one thousand dollars (\$1,000.00).

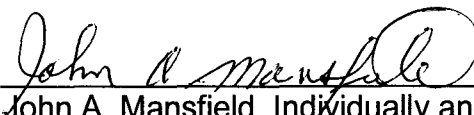
IT IS FURTHER AGREED that CEDAR RAPIDS shall not pay any of the directors' fines nor shall it reimburse any director for payment of these fines. Such payments shall be made by checks or money orders payable to the Nebraska Department of Banking and Finance within thirty (30) days from the date of this Agreement.


In the event that CEDAR RAPIDS or any director of CEDAR RAPIDS fails to comply with the provisions of this Agreement, the DEPARTMENT may commence such action as it deems necessary and appropriate in the public interest.

CEDAR RAPIDS STATE BANK

BY: 
Michael J. Sullivan, Individually and as
President and Chief Executive Officer

BY: 
Larry R. Cox, Individually and as
Director

BY: 
John A. Mansfield, Individually and as
Director

BY: 
Rita Smiley, Individually and as
Director

BY: Kathleen A. Sullivan
Kathleen A. Sullivan, Individually and as
Director

DATED this 14 day of May, 2003.

STATE OF NEBRASKA
DEPARTMENT OF BANKING AND FINANCE

BY: Samuel P. Baird
Samuel P. Baird
Director

DATED this 21 day of May, 2003.

