

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	OTS No.: CIN 91-14
)	
Cardinal Federal Savings Bank)	Dated: April 9, 1991
Owensboro, Kentucky)	
)	

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Deputy Regional Director for the Cincinnati District Office of OTS and Cardinal Federal Savings Bank, Owensboro, Kentucky ("Cardinal") stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative Cease and Desist proceeding against Cardinal pursuant to the Federal Deposit Insurance Act ("FDIA"), sec. 8(b), 12 U.S.C.A. sec. 1818(b) (West 1989). Cardinal desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance of the OTS from initiating such an administrative Cease and Desist litigation against Cardinal with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Cardinal is a "savings association" and "insured depository institution" as that term is defined in 12 U.S.C.A. sec. 1462 and 1813 (West 1989).

(b) The Director of OTS is the "appropriate Federal Banking Agency" to maintain a Cease and Desist proceeding against such a savings association pursuant to 12 U.S.C.A. sec. 1818(b) (West 1989). Therefore, Cardinal is subject to the authority of the OTS to initiate and maintain a Cease and Desist proceeding against it.

3. Consent. Cardinal consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon its issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C.A. § 1818(b) (West 1989). Upon its issuance by the Deputy Regional Director for the Cincinnati District Office, OTS, the Order shall be a final Order, effective and fully enforceable by the OTS under all statutory provisions, including 12 U.S.C.A. sec. 1818(i) (West 1989).

5. Waivers. Cardinal waives its right to a notice of charges and the administrative hearing provided by 12 U.S.C.A. sec. 1818(b) (West 1989), and further waives its right to seek judicial review of the Order, including any such right provided by 12 U.S.C.A. sec. 1818(h) (West 1989), or otherwise to challenge the validity of the Order.

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)
)
Cardinal Federal Savings Bank)
Owensboro, Kentucky)
_____)

Resolution No: CIN 91-14

Dated: April 9, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Cardinal Federal Savings Bank, Owensboro, Kentucky ("Cardinal"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS") acting through its Deputy Regional Director for the Cincinnati District and is incorporated herein by reference; and

WHEREAS, Cardinal, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, §8(b) 12 U.S.C.A. §1818(b) (West 1989).

NOW, THEREFORE, IT IS ORDERED that Cardinal and its directors, officers employees, agents, and service corporations shall cease and desist from granting new or additional loans for commercial purposes including, but not limited to commercial real estate loans, multifamily residential loans (exceeding 1- to 4-family residential loans), and non-mortgage commercial loans, until qualified personnel and adequate policies and procedures acceptable to the Deputy Regional Director are in place and confirmed by the OTS Report of Examination of July 23, 1990. This prohibition does not apply to loans to facilitate the sale of real estate owned, provided that such loans meet all applicable regulatory restrictions.

IT IS FURTHER ORDERED THAT:

1. Cardinal shall not pay dividends without prior written authorization from the Deputy Regional Director. In the event Cardinal meets its fully phased-in capital requirements, as determined in the sole discretion of the Deputy Regional Director, the Deputy Regional Director shall not object to Cardinal paying a dividend on a quarterly basis not to exceed 50 percent of its net income for such quarter or such longer period on a cumulative basis provided that total dividends for such longer periods do not exceed 50 percent of net income for that period, and provided further that Cardinal also meets the standards for non-objection set forth in OTS's capital distribution regulation.

2. Cardinal shall not resume speculative trading activities including, but not limited to, all types of speculative activities discussed in the OTS Report of Examination of July 23, 1990. Cardinal shall engage in only such investment activity as has received the prior approval of its board of directors. The board shall be responsible for the approval of investment strategies, the prioritization of investment objectives, and the establishment of definitive lines of authority and management responsibilities. Cardinal's investment strategies and activities shall be reviewed by the board, or a committee thereof, on at least a quarterly basis to ensure that activities are consistent with identified strategies.

3. Cardinal shall enhance its internal asset review and classification function and the board of directors shall review the results of this process monthly. At least annually, the board shall assess the policies and procedures related to internal asset review and classification, and update or enhance such procedures as may be necessary.

4. Cardinal shall prepare an asset plan for each criticized or classified asset with a balance larger than \$500,000. This plan shall be updated and reviewed by the Board of Directors at least quarterly and shall be submitted to OTS on a quarterly basis. The plan shall provide specific detail for each asset as to the optimum way to protect the institution from loss and adequate supporting rationale for the procedures to be followed with regard to each asset. The plan should also provide sufficient detail to allow the reader to fully understand the asset and any known problems or potential problems related thereto. Cardinal shall hire and/or train personnel with appropriate expertise to analyze and classify assets.

5. Cardinal shall carry on its books and reports to the OTS all held-for-sale investments at the lower of cost or market. This includes any unsold IOs and SMBs classified during the July 23, 1990 examination. In addition, Cardinal shall record the U.S. Treasury Strips and long-term Treasury securities discussed on page 13 of the July 23, 1990 report of examination and remaining in Cardinal's portfolio at the lower of their cost or market value on the date such securities were placed in the investment portfolio.

All technical words or terms used in this Order, for which meanings are not specified or otherwise provided by this Order, of the Agreement and incorporated business plan, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act, Federal Deposit Insurance Act, and any such technical words or terms used in this Order, and undefined by said statutes, rules and regulations shall have meanings that accord with the best custom and usage in the savings and loan industry.

