

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: SE-08-06
)	
Imperial Savings and Loan Association)	Effective Date: April 30, 2008
)	
Martinsville, Virginia)	
OTS Docket No. 07270)	
)	

ORDER TO CEASE AND DESIST

WHEREAS, Imperial Savings and Loan Association, Martinsville, Virginia, OTS Docket No. 07270 (Savings Association), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, Savings Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Southeast Region (Regional Director), is authorized to issue consent Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Order to Cease and Desist.

1. The Savings Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about,

participating in, counseling or the aiding and abetting of any violation of:

- a. 12 U.S.C. § 1817(a)(3) (requiring accuracy certification of Thrift Financial Reports (TFR) by an officer and directors);
- b. 12 C.F.R. § 562.2 (requiring correction of Regulatory reports as directed by OTS);
- c. 12 C.F.R. § 563.180(b) (requiring certain reports);
- d. 12 C.F.R. § 563.177 (requiring independent testing of Bank Secrecy Act (BSA) compliance).

Capital.

2. Within ten (10) days after the Effective Date of this Order, the Board and Management shall prepare and submit for Regional Director review and comment a detailed plan with specific written strategies for restoring the Savings Association's capital to the "well capitalized" level as defined at 12 C.F.R. § 565.4(b)(1) on or before June 30, 2008 (Capital Restoration Plan). The Board will make any changes to the Capital Restoration Plan required by the Regional Director within ten (10) days after receipt. Thereafter, the Board shall adopt and implement the Capital Restoration Plan.

Accurate Thrift Financial Reports.

3. Within ten (10) days after the Effective Date of this Order, the Board and Management shall prepare and submit to the OTS an amended TFR for the quarter ending December 31, 2007 (Amended TFR). The Amended TFR shall accurately reflect the Savings Association's financial condition as of the end of the quarter including the write off of the remaining \$104,756.73 in capitalized costs associated with its proposed but unrealized merger and stock conversion.

4. Within thirty (30) days after the Effective Date of this Order, the Board shall review and amend its internal controls and information and recordkeeping systems as necessary to provide for the timely and accurate filing of all financial statements in the future (Revised Recordkeeping Systems). At a minimum, the Revised Recordkeeping Systems shall enable the Savings Association to file accurate and complete (i) financial statements that conform to Generally

Accepted Accounting Principles; (ii) operational reports; and (iii) regulatory reports, including but not limited to TFRs.

Anti-Money Laundering/BSA Compliance.

5. Within sixty (60) days after the Effective Date of this Order, the Board shall revise the Savings Association's BSA Policy as necessary to require annual independent testing of the Savings Association's BSA Compliance Program by a qualified independent party (in-house personnel or outside party) with knowledge of the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws, 31 U.S.C. §§ 5311 et seq., and the related BSA regulations issued by the U.S. Department of the Treasury, 31 C.F.R. §§ 103.11 et seq., and the OTS, 12 C.F.R. § 563.177 (collectively, the BSA Laws and Regulations) and experience in compliance with the requirements imposed by such laws and regulations (Revised BSA Policy). The Revised BSA Policy shall require that the independent test be completed within ninety (90) days after each fiscal year end and that the independent test will comprehensively review the Savings Association's (i) BSA risk-assessment; (ii) internal controls for preventing money laundering and terrorism financing; and (iii) compliance with the BSA Laws and Regulations. The Revised BSA Policy also shall ensure that the scope of the independent test considers and incorporates, as appropriate for the size and complexity of the Savings Association, the examination procedures established in Section 1400 of the OTS Examination Handbook and the Federal Financial Institutions Examination Council's Bank Secrecy Act/Anti-Money Laundering Examination Manual. The Revised BSA Policy also shall require that (a) a written report detailing the results and findings of each annual independent test be prepared and provided to the Board for review within forty-five (45) days after completion of the independent test; (b) the Board's review of the independent test results, and any corrective actions adopted by the Board, shall be fully detailed in the appropriate Board meeting minutes with a copy of the written independent test report attached thereto; and (c) the Board will provide a copy of each annual independent test report and the Board meeting minutes in which the test report is reviewed to the Regional Director within ten (10) days after the review. The Board shall ensure that the Revised BSA Policy is fully implemented and thereafter fully adhered to by Management and the staff of the Savings Association. The Board shall submit a copy of the

Revised BSA Policy to the Regional Director within ten (10) days after adoption.

6. Within forty-five (45) days after the Effective Date of this Order, the Board shall engage a qualified independent outside third party to conduct an independent test of the Savings Association's BSA Compliance Program, including a transaction review for the period March 1, 2006 to the present, to evaluate the Savings Association's compliance with the BSA Laws and Regulations. The independent test shall comply with the requirements set forth in Paragraph 5 above and shall be completed within ninety (90) days after the Effective Date of this Order. Within thirty (30) days after its completion, the Board shall review the findings of the independent test required by this Paragraph and determine the appropriate corrective action required to address any deficiencies or weaknesses. The Board shall fully document its review and any corrective actions adopted in the appropriate Board meeting minutes. The Board shall ensure that Management fully implements the corrective actions adopted by the Board. A copy of the independent test and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

Liquidity.

7. Within thirty (30) days after the Effective Date of this Order, the Board shall prepare and submit for Regional Director review and comment, a liquidity plan to ensure the maintenance of adequate short-term and long term liquidity to withstand any anticipated or extraordinary demand against its funding base (Liquidity Plan). The Board will make any changes to the Liquidity Plan required by the Regional Director within thirty (30) days after receipt. Thereafter, the Board shall adopt the Liquidity Plan.

Problem Assets.

8. Within sixty (60) days after the Effective Date of this Order, the Board shall review the Savings Association's classified assets and develop and adopt specific strategies and steps designed to reduce the total level of classified assets (Classified Asset Strategies). The Board shall ensure Management to adhere to and implement the strategies and steps adopted by the

Board.

Sale of Office Facilities.

9. Effective immediately, the Savings Association shall not sell or lease any office facility, including the former home office, without the prior written approval of the Regional Director. The Savings Association's request for the Regional Director's approval of a proposed transaction under this Paragraph shall include copies of all relevant documentation regarding such transaction, including copies of the Board meeting minutes reflecting the Board's review, discussion and approval of the transaction, including any information prepared and presented to the Board regarding the transaction.

Nonwithdrawable Accounts.

10. Effective immediately, the Savings Association shall not solicit, establish or accept any nonwithdrawable accounts, as that term is defined at 12 C.F.R. § 561.31, without the prior written approval of the Regional Director.

Growth.

11. Effective immediately, the Savings Association shall comply with the requirements and provisions of OTS Regulatory Bulletin (RB) 3b. Without the prior written approval of the Regional Director, the Savings Association shall not increase its total assets during any quarter, beginning with the quarter ending March 31, 2008, in excess of an amount equal to net interest credited on deposit liabilities during the quarter.

Lending.

12. Effective immediately, the Savings Association shall make no loans other than (i) mortgage loans secured by one-to-four family dwellings that conform to the guidelines of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, or

Government National Mortgage Association; and (ii) loans secured by savings accounts, without the prior written approval of the Regional Director. Such restriction includes any new loans made to current or future borrowers and modifications of existing loans that would result in an extension of additional funds. Such restriction shall not apply to new loans and modifications of existing loans for which the Savings Association has a legally binding commitment in writing as of the Effective Date of this Order.

Board and Management Changes.

13. Effective immediately, the Savings Association shall comply with the requirements and limitations set forth in Subpart H of Part 563 of the OTS's regulations (12 C.F.R. §§ 563.550 – 563.590), including but not limited to notifying the OTS at least thirty (30) days before adding or replacing any member of its Board, employing any person as a senior executive officer, or changing the responsibilities of any senior executive officer so that the person would assume a different senior executive officer position.

Compensation and Benefit Arrangements.

14. Effective immediately, the Savings Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of the Savings Association unless the Savings Association (i) provides the Regional Director a minimum of thirty (30) days advance written notice of the proposed transaction; and (ii) receives a written notice of non-objection from the OTS.

Severance and Indemnification Payments and Agreements to Make Such Payments.

15. Effective immediately, the Savings Association shall not make any golden parachute payments or indemnification payments except as permitted in compliance with the requirements and restrictions of 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359.

Contracts Outside of the Ordinary Course of Business.

16. Effective immediately, the Savings Association shall not enter into any third-party contracts outside of the normal course of business without the prior written non-objection of the Regional Director and in compliance with OTS Examination Handbook Section 310 and OTS Thrift Bulletin 82a. The Savings Association shall provide the Regional Director at least thirty (30) days advance written notice of any proposed third-party contract. At a minimum, such notice shall set forth the Savings Association's reasons for seeking the third-party contract and shall transmit a copy of the proposed third-party contract.

Effective Date, Incorporation of Stipulation.

17. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

18. This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

Time Calculations.

19. (a) Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted; and
- (b) The Regional Director, may extend any of the deadlines set forth in the provisions of this Order upon written request by Savings Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

20. (a) All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes;

(b) Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (i) To OTS:
John E. Ryan, Regional Director
1475 Peachtree Street, N.E.
Atlanta, Georgia 30309

- (ii) To Savings Association:
Robert A. Williams, Chairman of the Board
Imperial Savings and Loan Association
1 East Market Street, Imperial Plaza
Martinsville, Virginia 24114.

No Violations Authorized.

21. Nothing in this Order or the Stipulation shall be construed as allowing Savings Association, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
John E. Ryan
Regional Director, Southeast Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: SE-08-06
)	
Imperial Savings and Loan Association)	Effective Date: April 30, 2008
)	
Martinsville, Virginia)	
OTS Docket No. 07270)	
)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Imperial Savings and Loan Association, Martinsville, Virginia, OTS Docket No. 07270 (Savings Association) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against Savings Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings associations has consented to the issuance of an order; and

WHEREAS, Savings Association desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph

1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. **Jurisdiction.**

(a) Savings Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, Savings Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c); and

(b) Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, Savings Association is subject to the authority of OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

2. **OTS Findings of Fact.**

Based on its preliminary results from the January 14, 2008 examination of Savings Association, OTS finds Savings Association has engaged in unsafe and unsound banking practices, including (i) deterioration of its capital level to Significantly Undercapitalized pursuant to 12 C.F.R. § 565.4; (ii) continued losses and the inability to achieve profitable operations; (iii) failure to file accurate Thrift Financial Reports with OTS; and (iv) failure to obtain annual independent testing of the Savings Association’s Bank Secrecy Act compliance.

3. **Consent.**

Savings Association consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). Savings Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

Savings Association waives the following:

(a) The right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(b) The right to an administrative hearing of OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;

(c) The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and

(d) Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting Savings Association if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

Savings Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with

Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of Savings Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous.

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

(b) If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

(c) All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

(d) The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

(e) The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(f) The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. **Signature of Directors/Board Resolution.**

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of Savings Association to the issuance of the Order and the execution of the Stipulation.

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WHEREFORE, Savings Association, by its directors, executes this Stipulation.

**IMPERIAL SAVINGS AND LOAN
ASSOCIATION**
Martinsville, Virginia

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: _____ /s/
Robert A. Williams
Chairman

By: _____ /s/
John E. Ryan
Regional Director, Southeast Region

Date: _____

Date: See Effective Date on page 1

Irvin D. Hairston, Director

/s/
Lewis L. Hairston, Director

/s/
Gloria Hodge Hylton, Director

/s/
James C. McKay, M.D., Director

/s/
Simone H. Redd, Director

/s/
Michael C. Scales, Director

/s/
Willis Via, Director