

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

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| _____) | |
| In the Matter of) | CONSENT ORDER |
| THE PEOPLES BANK) | |
| CHESTERTOWN, MARYLAND) | FDIC-12-372b |
| (INSURED STATE NONMEMBER BANK)) | |
| _____) | |

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for The Peoples Bank, Chestertown, Maryland (“Bank”), under section 3(q) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“CONSENT AGREEMENT”), dated November 9, 2012, that is accepted by the FDIC. With the CONSENT AGREEMENT, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation relating to among other things, weaknesses in management and Board oversight, asset quality, and earnings, to the issuance of this Consent Order (“ORDER”) by the FDIC.

Having determined that the requirements for issuance of an order under section 8(b) of the Act, 12 U.S.C. § 1818(b), have been satisfied, the FDIC hereby orders that:

BOARD PARTICIPATION

1. (a) The Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size.

(b) This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; liquidity levels and funds management; adoption or modification of operating policies; individual committee reports; audit reports; internal controls reviews including management's responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(c) The Bank shall notify the Regional Director of the FDIC's New York Regional Office ("Regional Director") and the Commissioner of Financial Regulation for the State of Maryland ("Commissioner") in writing of any resignations or terminations of any members of its Board or any of its "senior executive officers" (as that term is defined in section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b)) within 10 days of the event. Prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, or any change in title or function of a senior executive officer, the Bank shall request and obtain the written non-objection of the Regional Director and the Commissioner. Any notification required by this subparagraph shall include a description of the background(s) and experience of any proposed replacement personnel and must be received at least 30 days prior to the individual(s) assuming the new position(s). The Bank shall also establish procedures to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. Part 303.

MANAGEMENT

2. (a) The Bank shall have and retain qualified management. At a minimum, such management shall include: a chief executive officer with proven ability in managing a bank of comparable size and complexity and experience in upgrading a low quality loan portfolio; a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and a chief financial officer with demonstrated ability in all financial areas including, but not limited to, accounting, regulatory reporting, budgeting and planning, management of the investment function, liquidity management, and interest rate risk management. The Board shall provide the necessary written authority to management to implement the provisions of this ORDER.

(b) Within 30 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Commissioner a written plan ("Management Plan") that incorporates the findings of the Management Study Final Report, dated March 2012, prepared by the Bank's consultant ("Management Report"). At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Management Report, a plan of action to respond to each recommendation, and a time frame for completing each action;

(ii) include provisions to implement necessary training and development for all employees;

(iii) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member;
and

(iv) contain a current management succession plan that includes all "senior executive officers."

(b) The Management Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Management Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Management Plan.

CLASSIFIED ASSETS

3. (a) The Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the FDIC or the Commissioner in the current Report of Examination that have not been previously collected or charged off. Elimination or reduction of such assets with the proceeds of other Bank extensions of credit shall not be considered "collection" for purposes of this paragraph. Thereafter, within 60 days after the receipt of any Report of Examination of the Bank from the FDIC or the Commissioner, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in any Report of Examination that have not been previously collected or charged off.

(b) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit for review as described in subparagraph (d), a written plan ("Classified Asset Plan") to reduce the Bank's risk position in each asset in excess of \$200,000 which is classified "Substandard" or "Doubtful" in the current or any future 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 Regional Director or the Commissioner.

(c) The Classified Asset Plan shall include, at a minimum, the following:

(i) an action plan to review, analyze and document the current financial condition of each classified borrower including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral;

(ii) a schedule showing, on a quarterly basis, the consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Bank's projected Tier 1 Capital plus the Allowance for Loan and Lease Losses ("ALLL");

(iii) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(iv) specific areas of responsibility for loan officers; and

(v) a plan for the submission of monthly written progress reports to the Board for review and notation in minutes of the Board meetings.

(d) The Classified Asset Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Classified Asset Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Classified Asset Plan.

(e) The Bank shall not extend, directly or indirectly, without the prior written consent or non-objection of the Regional Director and the Commissioner, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the current or any future Report of Examination, so long as such credit remains uncollected.

(f) The Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or "Doubtful", in the current or any future Report of Examination, and is uncollected, unless the Board or a designated committee thereof, provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank. Prior to extending additional credit pursuant to this subparagraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board. The Board, or a designated committee thereof, shall determine that:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with a written explanation of why the failure to extend such credit would be detrimental;

(ii) the extension of such credit would improve the Bank's position, with a written explanatory statement of how and 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.

(g) The Board's determinations and approval shall be recorded in the minutes of the Board meeting and copies shall be submitted to the Regional Director and the Commissioner at such times as the Bank submits the progress reports required by this ORDER or sooner upon the written request of the Regional Director or the Commissioner.

LOAN POLICY

4. (a) Within 90 days from the effective date of this ORDER, the Bank shall conduct a review of the Bank's loan policies and procedures ("Loan Policy") for adequacy and, based upon such review, shall make all appropriate revisions to the Loan Policy, including revisions necessary to address the lending deficiencies identified in the current Report of Examination. The revised Loan Policy shall be submitted for review as described in subparagraph (c). The Board shall also establish reviewing and monitoring procedures to ensure that all lending personnel adhere to the Loan Policy, and that the Board receives timely and fully documented reports on loan activity, including reports that identify deviations from the Loan Policy.

(b) The Loan Policy shall, at minimum:

- (i) require that all extensions of credit originated or renewed by the Bank, including loans purchased from a third party (loan participations):
 - a. have a clearly defined and stated purpose;
 - b. have a predetermined and realistic repayment source and schedule, including secondary source of repayment;
 - c. are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d. are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which shall be maintained throughout the term of the loan; and are otherwise in conformance with the Loan Policy;

(ii) incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(iii) require accurate reporting of past due loans to the Board or the Bank's loan committee at least monthly;

(iv) require the individual reporting of loans granted as exception to the Loan Policy and aggregation of such loans in the portfolio;

(v) prohibit the capitalization of interest or loan-related expenses unless the Board or the Bank's loan committee provides, in writing, a detailed explanation of why such action is in the best interest of the Bank;

(vi) establish reviewing and monitoring procedures for compliance with the FDIC's appraisal regulation, 12 C.F.R. Part 323, and the *Interagency Appraisal and Evaluation Guidelines* (FIL-74-94, issued November 11, 1994); and

(vii) ensure the Bank's policies and procedures for acquiring, holding and disposing Other Real Estate Owned ("OREO") conform with the FDIC's *Guidance on Other Real Estate* (FIL-62-2008, issued July 1, 2008).

(c) The Loan Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or

comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Loan Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Policy.

LOAN REVIEW PROGRAM

5. (a) Within 90 days from the effective date of this ORDER, the Board shall establish a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits ("Loan Review Program").

(b) 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) 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;

(iii) identification of trends affecting the quality of the loan portfolio and potential problem areas;

(iv) assessment of the overall quality of the loan portfolio;

(v) identification of credit and collateral documentation exceptions;

(vi) identification of loans that are not in conformance with the Bank's Loan Policy; and

(vii) a mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (vi) above to the Board.

(c) The Loan Review Program shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Loan Review Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Loan Review Program.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a) Within 90 days from the effective date of this ORDER, the Bank shall submit for review as described in subparagraph (d), a comprehensive policy and methodology for determining the ALLL ("ALLL Policy"). The ALLL Policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at the end of each calendar quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Consolidated Reports of Condition and Income ("Call Report"). Such reviews shall, at a minimum, be made in accordance with:

(i) Financial Accounting Standards Board ("FASB") Accounting Standards Certification ("ASC") 450-20 and ASC 310-10-35;

(ii) the Federal Financial Institution Examination Council's ("FFIEC") Instructions for the Call Report;

(iii) the *Interagency Statement of Policy on the Allowance for Loan and Lease Losses* (FIL-105-206, issued December 13, 2006);

(iv) other applicable regulatory guidance that addresses the appropriateness of the Bank's ALLL; and

(v) any analysis of the Bank's ALLL provided by the FDIC or the Commissioner.

(b) Such reviews shall include, at a minimum:

(i) the Bank's loan loss experience;

(ii) an estimate of the potential loss exposure in the portfolio; and

(iii) trends of delinquent and nonaccrual loans and prevailing and prospective economic conditions.

(c) The minutes of the Board meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended adjustment in the ALLL. The Board shall document in the minutes the basis for any determination not to require provisions for loan losses in accordance with subparagraphs (a) and (b).

(d) The ALLL Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the ALLL Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the ALLL Policy.

(e) A deficiency in the ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 Capital determinations required by this ORDER and prior to the Bank's submission of its Call Report. The Bank shall thereafter maintain an appropriate ALLL.

(f) The analysis supporting the determination of the adequacy of the ALLL shall be submitted to the Regional Director and the Commissioner. These submissions shall be made at such times as the Bank files the progress reports required by this ORDER or sooner upon the written request of the Regional Director or the Commissioner. In the event that the Regional Director or the Commissioner determines that the Bank's ALLL is inadequate, the Bank shall increase its ALLL and amend its Call Report accordingly.

PROFIT AND BUDGET PLAN

7. (a) Within 90 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the Bank shall submit for review as described in subparagraph (c), a written profit and budget 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 as required by this ORDER.

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

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

(ii) specific goals to maintain appropriate provisions to the ALLL;

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

(iv) projections for deposit growth, investment in Federal funds sold, and the effect of these projections on the net interest margin;

(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; and

(vi) recording the results of the budget review and any actions taken by the Bank as a result of the budget review in the Board minutes.

(c) The Profit Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Profit Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Profit Plan.

(d) Within 30 days following the end of each calendar quarter following completion of the Profit Plan required by this paragraph, the Board shall evaluate the Bank's actual performance in relation to the Profit Plan, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board meeting at which such evaluation is undertaken.

CAPITAL

8. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop a written plan ("Capital Plan"), subject to review and approval of the Regional Director and the Commissioner as described in subparagraph (c), that details the manner in which the Bank will

maintain a Leverage Ratio of at least 8% and a Total Risk-Based Capital Ratio of at least 12% (as such terms are defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325).

The Bank shall comply with the FDIC's *Statement of Policy on Risk-Based Capital* found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(b) At a minimum, the Capital Plan shall include:

(i) specific plans to maintain the capital levels required under this ORDER;

(ii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Bank's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Bank's strategic business plan;

(iii) projections for the amount and timing of the capital necessary to meet the Bank's current and future needs;

(iv) the primary source(s) from which the Bank will strengthen its capital to meet the Bank's needs;

(v) contingency plans that identify alternative sources of capital should the primary source(s) under (iv) above not be available; and

(vi) a dividend policy that permits the declaration of a dividend only:

a. when the Bank is in compliance with its approved Capital Plan;

b. when the Bank is in compliance with applicable State and Federal laws and regulations;

c. when, after payment of such dividends, the Bank remains in compliance with the above minimum capital ratios;

d. when such declaration and payment of dividends has been approved in advance by the Board; and

e. when such declaration and payment of dividends has been approved in advance, in writing, by the Regional Director and the Commissioner.

(c) In the event any capital ratio falls below the minimum required by the approved Capital Plan, the Bank shall immediately notify the Regional Director and the Commissioner; and

(i) within 60 days shall increase capital in an amount sufficient to comply with this ORDER; or

(ii) within 60 days shall submit to the Regional Director and the Commissioner a contingency plan ("Contingency Plan") for the sale, merger, or liquidation of the Bank in the event the primary sources of capital are not available.

(d) The Capital Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Capital Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Capital Plan.

(e) The Board shall review the Bank's adherence to the Capital Plan, at minimum, on a monthly basis. Copies of the reviews and updates shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER, and any material

changes to the Capital Plan shall be submitted to the Regional Director and the Commissioner no later than 10 days after said change.

AUDIT PROGRAM

9. (a) Within 60 days from the effective date of this ORDER, the Bank shall implement an effective program for internal audit and controls ("Internal Audit Program"). At a minimum the Internal Audit Program shall:

(i) comply with the *Interagency Policy Statement on the Internal Audit Function and its Outsourcing* (FIL-123-97, issued December 22, 1997; amended at FIL-21-2003, issued March 17, 2003);

(ii) provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records;

(iii) ensure internal audit staff has sufficient expertise and resources to identify the risks inherent in the Bank's operations and independently and objectively evaluate and report on the effectiveness of risk management, internal controls, and governance processes;

(v) ensure the frequency and extent of internal audit review and testing is consistent with the nature, complexity, and risk of the Bank's activities;

(vi) ensure the Bank takes corrective actions in response to the criticisms and recommendations of external auditors, the FDIC, and the Commissioner; and

(vii) provide for monthly reports to the Board of audit findings and require that Board minutes reflect consideration of such reports and describe discussions or actions taken as a result of the reports.

(b) The Internal Audit Program shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Internal Audit Program, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Internal Audit Program.

INTEREST RATE RISK

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit for review as described in subparagraph (c), an interest rate risk policy and procedures ("IRR Policy") that shall include, at a minimum:

(i) measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and define lines of responsibilities and authority for managing risk;

(ii) a system for identifying and measuring interest rate risk;

(iii) a system for monitoring and reporting risk exposures; and

(iv) a system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

(b) The IRR Policy shall address the exceptions noted in the current Report of Examination, comply with the FFIEC's *Advisory on Interest Rate Risk Management* (FIL-2-2010, issued January 20, 2010), the FFIEC's *Supervisory Policy Statement on Investment Securities and End-User Derivative Activities* (FIL-45-98, issued April 28, 1998), and the *Joint Agency Policy Statement on Interest Rate Risk* (FIL-52-96, issued July 12, 1996).

(c) The IRR Policy shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the IRR Policy, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the IRR Policy.

STRATEGIC PLAN

11. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop and submit for review as required by subparagraph (c), a written strategic plan ("Strategic Plan") supported by an operating budget and consisting of 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. The Strategic Plan shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The Strategic Plan shall include, at a minimum:

- (i) identification of the major areas in and means by which the Bank will seek to improve operating performance;
- (ii) specific goals to improve the net interest margin, increase interest income, and reduce discretionary expenses;
- (iii) financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(iv) coordination of the Bank's loan, investment, funds management, and operating policies, profit and budget plan, and ALLL methodology with the Strategic Plan.

(c) The Strategic Plan shall be submitted to the Regional Director and the Commissioner for non-objection or comment. Within 30 days from receipt of non-objection or any comments from the Regional Director and the Commissioner, and after incorporation and adoption of all comments, the Board shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and fully comply with the Strategic Plan.

(d) The Strategic Plan required by this ORDER shall be revised 30 days prior to the end of each calendar year, and approved by the Board, which approval shall be recorded in the minutes of the Board meeting. Thereafter, the Bank shall implement and adhere to the revised Strategic Plan.

CORRECTION OF VIOLATIONS

12. The Bank shall take all steps necessary, consistent with other provisions of this ORDER and safe and sound banking practices, to eliminate or correct and prevent unsafe or unsound banking practices, violations of law or regulation, and all contraventions of regulatory policies or guidelines cited in the current Report of Examination.

DIVIDEND RESTRICTION

13. The Bank shall not declare or pay any dividends or make any other payments, directly or indirectly, to or for the benefit of the Bank's holding company or any other Bank affiliate without the prior written consent of the Regional Director and the Commissioner.

OVERSIGHT COMMITTEE

14. (a) Within 30 days from the effective date of this ORDER, the Board shall establish an oversight committee ("Oversight Committee"), a majority of which members who are not now, and have never been, involved in the daily operations of the Bank, with the responsibility of ensuring compliance with the provisions of this ORDER.

(b) The Oversight Committee shall monitor compliance with this ORDER and submit a written report monthly to the entire Board, and a copy of the report and any discussion related to the report or this ORDER shall be part of the minutes of the Board meeting. Copies of the monthly report shall be submitted to the Regional Director and the Commissioner as part of the progress reports required by this ORDER. Nothing contained herein shall diminish the responsibility of the entire Board to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

15. Within 45 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. All progress reports and other written responses to this ORDER shall be reviewed by the Board and made a part of the Board minutes.

SHAREHOLDER DISCLOSURE

16. Within 30 days from the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its parent holding company. The description shall fully describe the ORDER in all material respects.

MISCELLANEOUS

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or the Commissioner or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

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 and the Commissioner.

Issued Pursuant to Delegated Authority

Dated: November 9, 2012

/s/

John R. Jilovec
Acting Deputy Regional Director
New York Regional Office
Division of Risk Management Supervision
Federal Deposit Insurance Corporation

**ACKNOWLEDGEMENT OF ADOPTION OF FDIC CONSENT ORDER
BY
THE COMMISSIONER OF FINANCIAL REGULATION AND
THE PEOPLES BANK**

The Commissioner of Financial Regulation for the State of Maryland (the "Commissioner"), having duly approved the foregoing Consent Order ("ORDER"), and The Peoples Bank, Chestertown, Maryland ("Bank") agree that, upon the issuance of the ORDER by the Federal Deposit Insurance Corporation, the ORDER shall be binding between the Bank and the Commissioner with the same legal effect and to the same degree that the ORDER would be binding on the Bank if the Commissioner had issued a separate order pursuant to Md. Code Ann., Fin. Inst. § 5-808 that included and incorporated all of the provisions of the ORDER.

The Commissioner and Bank further agree that the provisions of the ORDER shall remain effective and enforceable by the Commissioner against the Bank except to the extent that, and until such time as, any provisions of the ORDER shall be modified, terminated, suspended, or set aside by the Commissioner.

Teresa M. Louro,
Assistant Commissioner for Bank Supervision

11/8/12

Date

**Agreed and Acknowledged:
The Peoples Bank, Chestertown, Maryland:**

BY:

E. Jean Anthony
Director

Robert W. Clark, Jr.
Director

LaMonte E. Cooke
Director

Gary B. Fellow
Director

Herman E. Hill, Jr.
Director

Patricia Joan O. Horsey
Director

P. Patrick McClary
Director

Alexander P. Rasin, III
Director

Stefan R. Skipp
Director

Elizabeth A. Strong
Director

William G. Wheatley
Director

Comprising the Board of
Directors of
The Peoples Bank
Chestertown, Maryland