

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

In the Matter of

CECIL BANK
Elkton, Maryland

Docket No. 15-025-PCA-SM

Prompt Corrective Action
Directive Issued Upon Consent
Pursuant to Section 38 of the
Federal Deposit Insurance Act, as
Amended

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) determined that, as of April 30, 2015, Cecil Bank, Elkton, Maryland (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, is undercapitalized, as defined in section 208.43(b)(3) of Regulation H of the Board of Governors (12 C.F.R. § 208.43(b)(3)), for purposes of section 38 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1831*o*);

WHEREAS, the Bank failed to submit to the Board of Governors an acceptable capital restoration plan as required by section 38(e)(2) of the FDI Act (12 U.S.C. § 1831*o*(e)(2)) and therefore, pursuant to section 38(f)(1)(B) (12 U.S.C. § 1831*o*(f)(1)(B)) of the FDI Act, the Bank is subject to all of the provisions of section 38 of the FDI Act and section 208.45 of Regulation H of the Board of Governors (12 C.F.R. § 208.45) that are applicable to significantly undercapitalized institutions;

WHEREAS, the actions in this Prompt Corrective Action Directive (the “Directive”) are necessary to carry out the purposes of section 38 of the FDI Act; and

WHEREAS, on August 3, 2015, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing William H. Cole to enter into this Directive on behalf of the Bank, and consenting to compliance with each and every provision of this Directive by the Bank and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)).

NOW THEREFORE, pursuant to section 38 of the FDI Act and section 208.45 of Regulation H of the Board of Governors (12 C.F.R. § 208.45), the Board of Governors immediately directs that:

1. The Bank shall no later than 90 days of the date of this Directive (or such additional time as the Board of Governors may permit):

(a) Increase the Bank's equity through the sale of shares or contributions to surplus in an amount sufficient to make the Bank adequately capitalized as defined in section 208.43(b)(2) of Regulation H of the Board of Governors (12 C.F.R. § 208.43(b)(2));

(b) enter into and close a contract to be acquired by a depository institution holding company or combine with another insured depository institution, closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties, and the performance of customary pre-closing covenants; or

(c) take other necessary measures to make the Bank adequately capitalized.

2. The Bank shall comply fully with the provisions of section 38(d)(1) of the FDI Act (12 U.S.C. § 1831o(d)(1)) restricting the making of any capital distributions, including, but not limited to, the payment of dividends.

3. The Bank shall not, without the prior written approval of the Federal Reserve Bank of Richmond (the “Reserve Bank”) and the fulfillment of one of the requirements set forth in paragraph 1, solicit and accept new deposit accounts or renew any time deposit bearing an interest rate that exceeds the prevailing effective rates on deposits of comparable amounts and maturities in the region where the institution is located.

4. (a) The Bank shall comply fully with the provisions of section 38(f)(2)(B)(i) of the FDI Act (12 U.S.C. § 1831o(f)(2)(B)(i)) requiring that all transactions between the Bank and any affiliate comply with section 23A of the Federal Reserve Act (12 U.S.C. § 371c).

(b) For the purposes of this Directive, the terms (i) “transaction” shall include, but not be limited to, the transfer, sale or purchase of any asset, including cash, or the direct or indirect payment of any expense or obligation of, the payment of a management or service fee of any nature to, or any extension of credit to an affiliate; (ii) “extension of credit” shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. § 215.3); and (iii) “affiliate” shall be defined as set forth in subparagraph (b)(1) of section 23A of the Federal Reserve Act (12 U.S.C. § 371c(b)(1)) and section 223.2 of Regulation W of the Board of Governors (12 C.F.R. § 223.2).

5. The Bank shall comply fully with the provisions of sections 38(f)(4)(A)(i) and (ii) of the FDI Act (12 U.S.C. §§ 1831o(f)(4)(A)(i) and (ii)) restricting the payment of bonuses to senior executive officers and increases in compensation of such officers.

6. The Bank shall comply fully with the provisions of sections 38(e)(3) and (4) of the FDI Act (12 U.S.C. §§ 1831o(e)(3) and (4)) restricting asset growth, acquisitions, branching, and new lines of business.

7. All communications regarding this Directive shall be sent to:

(a) Mr. Richard B. Gilbert
Vice President
Federal Reserve Bank of Richmond
Post Office Box 27622
Richmond, Virginia 23261

(b) Ms. Terrie G. Spiro
President and CEO
Cecil Bank
Cecil Bancorp, Inc.
127 North Street
Elkton, Maryland 21921

8. The provisions of this Directive shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

9. Each provision of this Directive shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Board of Governors.

10. The provisions of this Directive shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state department or agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors or assigns.

11. (a) The Directive does not supersede the Written Agreement by and among Cecil Bancorp, Inc., the Bank, the Reserve Bank, and the State of Maryland Commissioner of Financial Regulation (the "Commissioner"), dated June 29, 2010.

(b) Notwithstanding any provision of this Directive, the Bank shall comply with any other supervisory action issued by the Board of Governors, the Reserve Bank, the Commissioner, or the Federal Deposit Insurance Corporation.

12. As set forth in section 263.205 of the Board of Governors' Rules of Practice for Hearings (12 C.F.R. § 263.205), this Directive is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

By order of the Board of Governors of the Federal Reserve System, effective this 7th day of August, 2015.

CECIL BANK

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: /s/ William H. Cole
William H. Cole
Chair

By: /s/ Robert deV. Frierson
Robert deV. Frierson
Secretary of the Board