

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

In the Matter of

JIKO GROUP, INC.
San Francisco, California

Docket No. 24-011-B-HC

Order to Cease and Desist Issued
Upon Consent, Pursuant to the
Federal Deposit Insurance Act, as
amended

WHEREAS, Jiko Group, Inc., San Francisco, California (“Jiko”), is a registered bank holding company that owns and controls Mid-Central National Bank, Wadena, Minnesota (the “Bank”), a national bank, and various non-bank subsidiaries that develop and service technology platforms, and provide broker/dealer services;

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor of Jiko;

WHEREAS, the October 30, 2023 supervisory inspection of and more recent communications to Jiko issued by the Federal Reserve Bank of San Francisco (the “Reserve Bank”) identified significant deficiencies in the financial condition of the holding company, including capital planning, earnings, strategic planning, cash flow, and liquidity;

WHEREAS, since that time, Jiko has begun to take steps to address the above deficiencies, including by raising additional capital and reducing expenses;

WHEREAS, it is the common goal of the Board of Governors and Jiko to maintain the financial soundness of Jiko so that Jiko may serve as a source of strength to the Bank and operate

in a safe and sound manner and in compliance with all applicable federal and state laws, rules, and regulations;

WHEREAS, Jiko and the Board of Governors have mutually agreed to enter into this consent Cease and Desist Order (the “Order”); and

WHEREAS, the board of directors of Jiko, at a duly constituted meeting, adopted a resolution authorizing and directing the undersigned to enter into this Order on behalf of Jiko, and consenting to compliance with each and every provision of this Order by Jiko, and waiving any and all rights that Jiko may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), including, but not limited to: (i) the issuance of a notice of charges on any matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, it is hereby ordered that, before the filing of any notices, or taking of any testimony or adjudication of or finding on any issues of fact or law herein, and solely for the purpose of settling this matter without the necessity for protracted or extended hearings or testimony, pursuant to sections 8(b)(1) and (3) of the FDI Act (12 U.S.C. § 1818(b)(1) and (b)(3)), Jiko shall cease and desist, and take affirmative actions as follows:

Source of Strength

1. The board of directors of Jiko shall take appropriate steps to fully utilize Jiko’s financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking

steps to ensure that the Bank complies with any supervisory action taken by the Bank's federal regulators.

Board Oversight

2. Within 60 days of the effective date of this Order, the board of directors of Jiko shall submit a written plan acceptable to the Reserve Bank to strengthen board oversight of the management and operations of Jiko. The plan shall include the following three items:

(a) the actions that the board of directors will take to maintain effective control over, and supervision of, Jiko's financial condition, including, but not limited to, capital planning, earnings, strategic planning, cash flow, and liquidity; and

(b) measures to strengthen Board and senior management oversight of Jiko's risks; and

(c) steps to improve the quality, accuracy, comprehensiveness, and granularity of the information and financial reports provided to the board of directors in its oversight of the Bank and its operations and management, including, but not limited to, Jiko's cash flow and capital and liquidity positions.

Strategic Plan

3. Within 30 days of the effective date of this Order, Jiko shall submit to the Reserve Bank a written strategic plan that, at a minimum, establishes short- and long-term goals designed to improve the condition of Jiko and a description of how the board of directors and senior management intend to achieve the stated objectives.

Liquidity and Funds Management

4. Within 30 days of the effective date of this Order, Jiko shall submit an enhanced liquidity risk management program acceptable to the Reserve Bank that, at a minimum, includes

steps to diversify sources of funding, enhanced liquidity stress test scenarios, and periodic independent review and evaluation of all components of Jiko's liquidity risk management process.

5. Within 30 days of the effective date of this Order, Jiko shall submit a revised written contingency funding plan acceptable to the Reserve Bank that, at a minimum, is consistent with the Interagency Policy Statement on Funding and Liquidity Risk Management, dated March 17, 2010 (SR 10-6), and includes adverse scenario planning.

Cash Flow Projections

6. Within 30 days of the effective date of this Order, Jiko shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for the current year. Thereafter, by January 31 of each year that this Order remains in effect, Jiko shall provide the Reserve Bank with Cash Flow Projections, projected on a quarterly basis, for the current year.

Capital Plan

7. Within 30 days of the effective date of this Order, Jiko shall submit a written plan acceptable to the Reserve Bank to maintain sufficient capital at Jiko. The plan shall include the following three items:

(a) an assessment of Jiko's expected uses and sources of capital, a detailed description of Jiko's process for assessing capital adequacy, Jiko's capital policy, and a discussion of any expected changes to Jiko's business plan that are likely to have a material impact on capital adequacy or liquidity, including compliance with the applicable requirements of Regulation Q of the Board of Governors (12 C.F.R. Part 217);

(b) the adequacy of the Bank's capital, taking into account current capital levels, the volume of adversely classified assets, the adequacy of the allowance for credit losses, current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements on a timely basis.

8. Jiko shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of Jiko's capital ratios fall below the approved capital plan's minimum ratios. Together with the notification, Jiko shall submit a written plan acceptable to the Reserve Bank that details the steps Jiko will take to increase Jiko's capital ratios to or above the approved capital plan's minimums.

Capital Conservation

9. (a) Effective immediately, Jiko shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information on Jiko's capital, earnings, and cash flow; the Bank's asset quality, earnings, and allowance for credit losses; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effective immediately, Jiko shall not, directly or indirectly, incur, increase, prepay, or guarantee any debt without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

Compliance with Laws and Regulations

10. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Jiko shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Jiko shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. § 359).

Progress Reports

11. Within 30 days after the end of each calendar quarter following the date of this Order, Jiko shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Order and the results thereof.

Approval and Implementation of Plans, Policies, Procedures, and Programs

12. (a) Jiko shall submit written plans, statement, and program that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, 4, 5, 6, and 7 of this Order. Each plan, statement, and program shall contain a timeline for full implementation of the plan, statement, or program with specific deadlines for the completion of each component of the plan, statement, or program.

(b) Within 10 days of approval by the Reserve Bank, Jiko shall adopt the approved plans, statement, and program. Upon adoption, Jiko shall promptly implement the approved plans, statement, and program, and thereafter fully comply with them.

(c) During the term of this Order, the approved plans, statement, and program shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

13. All communications regarding this Order shall be sent to:

- (a) Mr. Jason A. Gonzalez
Deputy Associate General Counsel
20th & C Streets, N.W.
Washington, D.C. 20551
- (b) Mr. Mike Curran
Senior Manager
Federal Reserve Bank of San Francisco
101 Market Street
San Francisco, California 94105
- (c) Mr. Stephane Lintner
Chief Executive Officer
Jiko Group, Inc.
101 Mission St. 7th Floor
San Francisco, California 94105

Miscellaneous

14. Notwithstanding any provision of this Order, the Reserve Bank may in its sole discretion, grant written extensions of time to Jiko to comply with any provision of this Order. Jiko must submit a written request to the Reserve Bank for any extension of time.

15. The provisions of this Order shall be binding upon Jiko and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), in their capacities as such, and their successors and assigns.

16. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

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

By order of the Board of Governors of the Federal Reserve System effective this 16th day of July, 2024.

JIKO GROUP, INC.

**BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM**

By: /s/ Stephane Lintner
Stephane Lintner
Chief Executive Officer

By: /s/ Benjamin W. McDonough
Benjamin W. McDonough
Deputy Secretary of the Board