

## SCHEDULE B

### Case Studies of Selected Failed Banks Using Brokered Funds

#### 1. Peoples Bank & Trust Company, Wartburg, Tennessee

Bank was closed on February 8, 1985. At that time brokered deposits totaled \$6,400,000 and represented 32% of total deposits of \$20,058,000. In July of 1984 ownership and control of the bank changed and immediately thereafter brokered deposits were introduced into the bank, reaching a high of \$7,100,000 by the end of August, 1984. Brokered deposits provided the major share of the funding for the bank's acquisition of over \$11 million in out-of-territory timeshare and solar-energy contracts from a corporate interest of the new control owners in an elaborate link-financing scheme, which resulted in losses approaching \$10 million.

#### 2. Strong's Bank, Dodgeville, Wisconsin

Bank was closed on June 14, 1985. At that time brokered deposits totaled \$1,100,000 and represented 4% of total deposits of \$30,200,000. Bank was in weakened condition in early 1985 due to loan losses and under pressure from the FDIC to increase capital and improve asset condition. In May of 1985 brokered deposits were introduced into the bank in a fraudulent link-financing scheme designed to give the appearance of recapitalizing the bank and replacing poor-quality loans on the bank's books with new loans of supposedly satisfactory quality. Substantial additional brokered funds were apparently diverted and never recorded on the bank's books.

#### 3. Indian Springs State Bank, Kansas City, Kansas

Bank was closed January 27, 1984. At that time brokered deposits totaled \$9,300,000 and represented 34% of total deposits of \$27,074,000 on the date of closing. These deposits provided the funding for a link-financing scheme involving out-of-territory real estate development loans which resulted in enormous losses, rendering the bank insolvent.

#### 4. West Valley Bank, Woodland Hills, California

Bank closed February 8, 1985. At that time brokered deposits totaled \$17,600,000 and represented 53% of total deposits of \$33,100,000. Brokered deposits were first introduced into the bank in the second quarter of 1984 and reached a high of \$17,600,000 as of the date of closing. These funds provided funding for the acquisition of over \$6,200,000 in fraudulent insurance premium financing contracts, which resulted in the bank's failure.

#### 5. Community Bank, Hartford, South Dakota

Bank was closed June 17, 1983. At the time of closing, brokered funds totaled \$10,400,000 and represented 27% of total deposits of \$39,073,000. Brokered deposits were introduced into the bank in April 1983 and reached a high of \$10,400,000 as of the date of closing. These funds provided funding for the purchase of a \$10,400,000 annuity from

an obscure North Dakota insurance company. The annuity was subsequently determined to be worthless, thus eliminating the bank's capital accounts. The bank was persuaded to enter into this transaction by an individual who had promised to purchase the bank at a price well in excess of its market value.

6. Farmers State Bank, Selden, Kansas

Bank was closed December 20, 1984. At the time of closing brokered deposits totaled \$2,900,000 and represented 21% of the bank's total deposits of \$13,758,000. Brokered deposits were first introduced in the bank in December, 1983 and reached a high of \$3,200,000 in November, 1984. These monies were used to fund bogus loans, causing the bank's failure.