

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of )  
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 UNITED BANK and TRUST COMPANY ) ORDER TO CEASE AND DESIST  
 NEW ORLEANS, LOUISIANA )  
 ) FDIC-06-175b  
 )  
 (INSURED STATE NONMEMBER BANK) )  
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United Bank and Trust Company, New Orleans, Louisiana ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of laws or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and a representative of the Louisiana Office of Financial Institutions ("State"), dated \_\_\_\_\_, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of laws or regulations, the

Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC and the State considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had committed violations of laws or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

**ORDER TO CEASE AND DESIST**

**IT IS HEREBY ORDERED** that the Bank, its directors, officers, employees, agents, and other institution-affiliated parties, as that term is defined in Section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of laws or regulations:

(a) Operating the Bank with an inadequate level of capital protection for the kind and quality of assets held by the Bank;

(b) Operating the Bank with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits;

(c) Operating the Bank with a board of directors which has failed to provide adequate supervision over and

direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of laws or regulations.

(d) Operating the Bank with inadequate written loan policies and procedures;

(e) Engaging in imprudent lending and lax collection practices, including, but not limited to:

(i) Renewing or extending credit without adequate and appropriate supporting documentation;

(ii) Failure to obtain proper loan documentation;

(iii) Failure to obtain adequate collateral;

(iv) Failure to establish and monitor collateral margins of secured borrowers;

(v) Failure to establish and enforce adequate loan repayment programs;

(vi) Failure to obtain current and complete financial information; and

(vii) Poor credit administration practices.

(f) Operating the Bank with an excessive level of adversely classified assets;

(g) Operating the Bank with an inadequate allowance for loan and lease losses;

(h) Failing to accurately reflect the condition of

the Bank in published statements and Consolidated Reports of Condition and Income;

(i) Operating the Bank with inadequate internal routines and controls;

(j) Operating the Bank in violation of applicable Federal and State laws and regulations;

(k) Operating the Bank in violation of the Currency and Foreign Transactions Reporting Act (31 U.S.C. § 5311 *et seq.*) (the Bank Secrecy Act) ("BSA"), the rules and regulations implementing the BSA issued by the U.S. Department of the Treasury (31 C.F.R. Part 103) ("Financial Recordkeeping"), and the FDIC's BSA Programs and Procedures Regulations, 12 C.F.R. Part 326 ("BSA Programs and Procedures").

**IT IS FURTHER ORDERED** that the Bank, its institution-affiliated parties, and its successors and assigns take affirmative action as follows:

1. (a) By March 31, 2007, the Bank shall achieve, and, while this Order is in effect, shall maintain Tier 1 capital, after establishing an adequate allowance for loan and lease losses, equal to or greater than 8 percent of the Bank's average Total Assets.

(b) In addition to the requirement of subparagraph 1(a), while this Order is in effect, the Bank shall maintain risk-based ratios that meet the definition of "well capitalized"

pursuant to Part 325 of the FDIC Rules and Regulations, 12  
C.F.R. Part 325.

(c) Within 90 days after the effective date of this ORDER, the Bank shall submit a written capital plan ("Capital Plan") to the FDIC's Regional Director ("Regional Director") and the Commissioner, Louisiana Office of Financial Institutions, Baton Rouge, Louisiana ("Commissioner") to achieve and maintain Tier 1 capital, after establishing an adequate allowance for loan and lease losses, equal to or greater than 8 percent of the Bank's average Total Assets. After the Regional Director and the Commissioner respond to the Capital Plan, the Bank's board of directors shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner. Thereafter, the Bank shall immediately initiate measures detailed in the Capital Plan to the extent such measures have not previously been initiated. Such increase in Tier 1 capital and any increase in Tier 1 capital necessary to meet the ratios required by this ORDER may be accomplished by:

- (i) The sale of securities in the form of common stock; or
  - (ii) The direct contribution of cash by the directors and/or shareholders of the Bank;
- or

(iii) Any other method approved by the Regional Director and the Commissioner.

(d) If the ratio of Tier 1 capital to average Total Assets is less than 8 percent as determined by the Bank or at any future examination by the FDIC or the State, the Bank shall present to the Regional Director and the Commissioner an Amended Capital Plan ("Amended Capital Plan") to increase the Tier 1 capital of the Bank or to take other measures to bring the ratio to 8 percent. The Amended Capital Plan shall be presented to the Regional Director and the Commissioner within 30 business days of such determination. After the Regional Director and the Commissioner respond to the Amended Capital Plan, the board of directors of the Bank shall adopt the Amended Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner. Thereafter, the Bank shall immediately initiate measures detailed in the Amended Capital Plan to the extent such measures have not previously been initiated, to increase its Tier 1 capital by an amount sufficient to bring the ratio to 8 percent within 30 days after the Regional Director and the Commissioner respond to the Amended Capital Plan.

(e) If all or part of the increase in Tier 1 capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and

implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the Capital Plan or the Amended Capital Plan. Should the implementation of the Capital Plan or the Amended Capital Plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the Capital Plan or the Amended Capital Plan, and in any event, not less than 20 days prior to the dissemination of such materials, the Capital Plan or the Amended Capital Plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the Capital Plan or the Amended Capital Plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the

Commissioner for prior approval.

(f) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank securities. The written notice required by this paragraph shall be furnished within 30 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(g) For the purposes of this ORDER, the terms "Allowance for Loan and Lease Losses", "Tier 1 Capital", and "Total Assets" shall be as defined in Part 325 of the FDIC's Rules and Regulations, respectively Sections 325.2(a), (v), and (x), 12 C.F.R. §§ 325.2(a), (v), and (x). "Average Total Assets" shall be calculated according to the methodology set forth in the June 5, 2006, Report of Examination.

2. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of



management personnel shall be evaluated on their ability to:

- (i) Comply with the requirements of the ORDER;
- (ii) Operate the Bank in a safe and sound manner;
- (iii) Comply with applicable laws and regulations;
- (iv) Restore all aspects of the Bank to a safe and sound condition, including improve the Bank's asset quality, capital adequacy, earnings, and management effectiveness; and
- (v) Ensure the Bank's compliance with the BSA, Financial Recordkeeping and BSA Programs and Procedures.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in management. The notification must include the name(s) and background(s) of any replacement personnel and must be provided 30 days prior to the individual(s) assuming the new position(s).

(c) While this ORDER is in effect, the Bank shall retain a BSA Officer who is qualified and responsible for the implementation, coordination and monitoring of the Bank's day to day compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures. This individual shall have the authority to recommend and enforce policies to ensure compliance

with the BSA, Financial Recordkeeping, and BSA Programs and Procedures.

3. (a) Within 60 days after the effective date of this ORDER, the Bank shall perform, or cause to be performed by a consultant, a written analysis and assessment of the Bank's management and staffing needs for the purpose of providing qualified management for the Bank ("Management Plan"). The Management Plan shall also assist the Bank in achieving and maintaining a management and reporting structure for BSA compliance that is appropriate for the Bank's size and BSA risk profile and that is adequately staffed by qualified and trained personnel.

(b) The Bank shall provide the Regional Director and the Commissioner with a copy of the Bank's proposed procedures for analysis and assessment of the Bank's management and staffing needs, or a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The Bank's procedures, or the engagement letter and contract, at a minimum, should include:

- (i) A description of the work to be performed;
- (ii) The responsibilities of the parties performing the work;

- (iii) An identification of the professional standards covering the work to be performed;
- (iv) The identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings; and
- (viii) A provision for unrestricted examiner access to workpapers.

(c) The Management Plan shall be developed within 60 days after approval of the Bank's proposed procedures, or the engagement letter and contract by the Regional Director and the Commissioner. The Management Plan shall include, at a minimum:

- (i) The identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) The identification and establishment of such Bank committees as are needed to

provide guidance and oversight to active management;

- (iii) An evaluation of all Bank officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;
- (iv) A detailed analysis of each officer's strengths and weaknesses, as related to the officer's position, and an action plan to improve the performance of each officer, thereby strengthening each position. The action plan may include but is not limited to hiring new employees, increased training, reallocation of personnel and/or redistribution of duties;
- (v) A review of senior Bank staff ("Senior Bank Staff") with responsibilities related to ensuring the Bank's compliance with the BSA, Financial Recordkeeping and BSA

Programs and Procedures. Senior Bank Staff shall include, but is not limited to, the president, senior loan officers, compliance officers, BSA officers, assistant BSA officer and all teller supervisors; and

- (vi) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer positions identified in the Management Plan.

(d) The Management Plan shall be submitted to the Regional Director and the Commissioner for review and comment upon its completion. Within 30 days from the receipt of any comments from the Regional Director and the Commissioner, and after the adoption of any recommended changes, the Bank shall approve the Management Plan, and record its approval in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and any subsequent modification.

4. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional

Director and the Commissioner for review and comment a written Profit Plan and a realistic, comprehensive Budget for all categories of income and expense for calendar year 2007 ("Profit Plan and Budget"). The Profit Plan and Budget required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major protected income and expense components.

(b) The Profit Plan and Budget shall address, at a minimum:

- (i) An analysis of each branch's profitability;
- (ii) A cost center accounting of each branch's assets, liabilities, income and expenses;
- (iii) An analysis of the pricing structure of the Bank;
- (iv) An analysis of the Bank's overhead; and
- (v) Identification of the areas, the means, and the time frames in which the board of directors will seek to improve the Bank's operating performance.

(c) Within 30 days from the end of each calendar

quarter following completion of the Profit Plan and Budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the Profit Plan and Budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) A written Profit Plan and Budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and the Commissioner for review and comment within 30 days of the end of each year. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner and after adoption of any recommended changes, the Bank shall approve the Profit Plan and Budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the Profit Plan and Budget.

5. While this ORDER is in effect, the Bank shall not increase its Total Assets by more than 10 percent during any consecutive twelve-month period without the prior written consent of the Regional Director and the Commissioner.

6. While this Order is in effect, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

7. (a) Within 30 days after the effective date of this ORDER, and annually thereafter, the board of directors of the

Bank shall review the Bank's loan policies and procedures for effectiveness and, based upon this review, shall make all necessary revisions to the policies in order to strengthen the Bank's lending procedures and abate additional loan deterioration.

(b) The Bank's written loan policies and procedures required by this paragraph, at a minimum, shall include provisions:

- (i) Prohibiting a subprime lending program as defined in the *Examination Guidance for Subprime Lending Program*, FIL 9-2001 (January 31, 2001);
- (ii) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policies;
- (iii) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security



interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, cash flow projections, income or cash flow analysis, appraisals or evaluations of collateral and credit checks, and shall be maintained throughout the term of the loan;

(iv) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such persons, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. § 337.3 and 12 C.F.R. Part 215;

(v) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified "Substandard," "Doubtful," or "Loss," whether in whole or in part, in the June 5,

2006, Report of Examination, or by the FDIC or State authority in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured; are supported by current and complete financial information; and the renewal or extension has first been approved in writing by a majority of the Bank's board of directors;

- (vi) Requiring a record be maintained of all extensions of credit that are exceptions to the Bank's loan policies or procedures; and
- (vii) Limiting total extensions of credit that are exceptions to the Bank's loan policies or procedures to 50 percent of the Bank's Tier 1 capital.

(c) The Bank shall submit the revised written loan policies and procedures to the Regional Director and the Commissioner. The loan policies and procedures will be adopted and implemented immediately after submission to the Regional Director and the Commissioner to the extent that they are not already in effect at the Bank. Within 30 days after submission of the loan policies and procedures the Regional Director and the Commissioner may propose modifications to the loan policies and procedures, the Bank's board of directors shall adopt the loan

policies and procedures as amended or modified by the Regional Director and the Commissioner.

8. (a) Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a loan review committee to review the Bank's loan portfolio and identify and categorize problem credits. The committee shall meet at least once during each calendar quarter and shall file a report with the Bank's board of directors following each meeting. This report shall include the following information:

- (i) The overall quality of the loan portfolio;
- (ii) The identification, by type and amount, of each problem or delinquent loan;
- (iii) The identification of all loans not in conformance with the Bank's lending policy; and
- (iv) The identification of all loans to executive officers, directors, principal shareholders and/or their related interests.

(b) At least two-thirds of the members of the loan review committee shall be Independent Directors. For purposes of this ORDER, a person who is an Independent Director shall be any individual: who is not an officer of the Bank or any subsidiary of the Bank; who does not own more than 5 percent of the outstanding shares of the Bank; who is not related by blood

or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and who is not indebted to the Bank directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 capital and allowance for loan and lease losses; or who is deemed to be an Independent Director for purposes of this ORDER by the Regional Director and the Commissioner.

9. (a) Within 10 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" by the FDIC or the State as a result of the June 5, 2006, Report of Examination. Reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" as determined at any future examination conducted by the FDIC or the State.

(c) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified "Loss" by the FDIC or the State as the result of the June 5, 2006, Report of Examination, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(d) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is classified "Substandard" by the FDIC or the State as the result of the June 5, 2006, Report of Examination, either in whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement detailing why failure to extend such credit would be detrimental to the best interests of the Bank, how the credit complies with the Bank loan policy and why the borrower is credit worthy. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of

directors' meeting.

10. (a) Within 10 days after the effective date of this ORDER, the Bank shall increase its Allowance for Loan and Lease Losses ("ALLL") in the amount of at least \$77,000. The ALLL should be funded by charges to current operating income, and should be calculated in accordance with generally accepted accounting standards and ALLL supervisory guidance. After the initial provision is made, the Bank shall thereafter maintain a reasonable ALLL. Prior to the end of each calendar quarter, the Bank's board of directors shall review the adequacy of the Bank's ALLL. Such reviews shall include, at a minimum, the Bank's loan loss experience, an estimate of potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's board of directors' meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL.

(b) Within 60 days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2005, and amend said reports, if necessary, to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL. Reports filed after the effective date of this ORDER

shall also accurately reflect the financial condition of the Banks of the reporting date.

11. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall revise its internal control program to eliminate or correct the internal control deficiencies detailed in the June 5, 2006, Report of Examination.

12. (a) Within 90 days after the effective date of this ORDER, the Bank shall eliminate or correct all violations of law and regulation detailed in the June 5, 2006, Report of Examination.

(b) Within 30 days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

13. Within 90 days after the effective date of this ORDER, the Bank shall eliminate or correct any contraventions of policy detailed in the June 5, 2006, Report of Examination.

14. (a) Within 60 days after the effective date of this ORDER, the Bank shall employ a qualified independent consultant to conduct a customer risk assessment ("Assessment"). A copy of the Assessment shall be submitted to the Regional Director and the Commissioner for review and comment. At a minimum, the Assessment should address and review the following:

- (i) The Bank's compliance with the April 26, 2005 *Interagency Interpretive Guidance on*

*Providing Banking Services to Money  
Services Business Operating in the United  
States* issued by the Financial Crimes  
Enforcement Network and all Federal  
Banking Agencies; and

- (ii) The money laundering and terrorist financing risks associated with each of the Bank's deposit products, safekeeping services, geographic location and markets served.

15. (a) Within 60 days after the completion of the Assessment, but in no event longer than 120 days after the effective date of this ORDER, the Bank shall adopt a comprehensive, written BSA Program based upon the Assessment described in paragraph 13. The BSA Program shall be submitted to the Regional Director and the Commissioner for review, comment and approval. Any changes requested to be made to the BSA Program by the Regional Director or the Commissioner shall be made within 45 days after the receipt of all such comments from the Regional Director and the Commissioner. After revising the BSA Program as necessary and receiving the Regional Director's and the Commissioner's final approval, the Bank shall adopt the BSA Program. Such adoption shall be recorded in the minutes of the Bank's board of directors' meeting. The BSA



Program shall be implemented immediately upon adoption by the Bank's board of directors.

(b) The BSA Program shall provide for an effective system of internal controls to ensure compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures.

(c) The system of internal controls shall require the Bank to, at a minimum:

- (i) Identify reportable transactions and gather the information necessary to properly complete the required reporting forms as required by 31 C.F.R. § 103.22;
- (ii) Ensure that all required reports are accurate, proper, complete, and timely filed;
- (iii) Ensure that customer exemptions are properly granted and documented; and
- (iv) Provide for separation of duties to ensure personnel completing required reports are not responsible for filing them.

(d) Within 30 days after the effective date of this ORDER, the Bank shall implement a training program for all appropriate personnel covering compliance with the BSA, Financial Recordkeeping, and BSA Programs and Procedures. The initial training shall be completed within 60 days after the

effective date of this ORDER. The Bank shall thereafter conduct additional training on a regular basis, but not less than annually. Employees receiving the initial and subsequent training shall include, but are not limited to, all current or new employees employed by the Bank as tellers, new accounts personnel, lending personnel, bookkeeping personnel, wire transfer personnel, proof personnel, senior Bank management and the Bank's board of directors.

(e) Within 180 days after the effective date of this ORDER and, at least annually thereafter, the Bank shall employ an independent consultant to test the BSA Program to ensure proper controls are in place to comply with the BSA, Financial Recordkeeping and BSA Programs and Procedures. The independent testing program shall, at a minimum:

- (i) Test the Bank's internal procedures for monitoring compliance with the BSA, Financial Recordkeeping and BSA Programs and Procedures, including interviews of employees who handle cash transactions;
- (ii) Test the large currency transactions followed by a review of the currency transaction report filings;
- (iii) Test the validity and reasonableness of the customer exemptions granted by the

Bank;

(iv) Test the Bank's recordkeeping system to ensure compliance with the BSA, Financial Recordkeeping and BSA Programs and Procedures; and

(v) Document the scope of the testing procedures performed and the findings of the test.

(f) The results of each independent test, as well as any apparent exceptions noted during the testing, shall be presented to the Bank's board of directors. The board shall record the steps taken to correct any exceptions noted, address any recommendations made during each independent test, and record its actions in the minutes of the Bank's board of directors' meetings.

16. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a committee of the board of directors with the responsibility to ensure that the Bank complies with the provisions of this ORDER. At least two-thirds of the members of such committee shall be Independent Directors as defined in paragraph 8(b) of this Order. The committee shall report monthly to the entire board of directors, and a copy of the monthly report and any discussion relating to the monthly report or this ORDER shall be included in the

minutes of the Bank's board of directors' meetings. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

17. No later than 30 calendar days after the end of each calendar quarter (January 30<sup>th</sup>, April 30<sup>th</sup>, July 30<sup>th</sup>, and October 30<sup>th</sup> of each calendar year), the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making further reports.

18. The provisions of this ORDER shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.

19. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying

communication, statement, or notice shall be sent to the FDIC, Accounting & Securities Unit, 550 17th Street, N.W., Room F-6043, Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

20. This ORDER shall become effective 10 calendar days after the date of its issuance by the FDIC. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC and the State.

Pursuant to delegated authority.

Dated this 16<sup>th</sup> day of February, 2007.

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Stan Ivie  
Regional Director  
Dallas Region  
Division of Supervision and  
Consumer Protection

