

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.  
and  
TEXAS DEPARTMENT OF BANKING  
AUSTIN, TEXAS

_____ )	
In the Matter of )	
)	ORDER TO CEASE AND DESIST
)	
TOWN CENTER BANK )	
COPPELL, TEXAS )	FDIC 08-236b
)	
)	STATE NUMBER 2008-038
(Insured State Nonmember Bank) )	
_____ )	

Town Center Bank, Coppel, Texas (“Bank”), through its board of directors, having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/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) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b) and Title 3, Subtitle A, Texas Finance Code § 35.002 et. seq. 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 Texas Department of Banking (“State”), dated November 24, 2008, 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 law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST (“ORDER”) by the FDIC and the State.

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

**ORDER TO CEASE AND DESIST**

**IT IS ORDERED**, that the Bank, institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), of the Bank and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of laws and/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 inadequate earnings to fund growth, support dividend payments and augment capital.

(c) Operating the Bank with an excessive level of adversely classified loans or assets or delinquent loans or nonaccrual loans.

(d) Operating with an inadequate allowance for loan and lease losses for the volume, kind and quality of loans and leases held or failing to make provision for an adequate reserve for possible loan losses.

(e) Engaging in hazardous lending and ineffective and/or lax collection practices, including, but not limited to:

1. Inaccurate internal loan grading and problem loan identification system.

2. Maintaining high volume of speculative construction loans.
  3. Failure to establish and enforce adequate loan repayment programs.
  4. Poor credit administration practices.
- (f) Operating the Bank with inadequate written loan policies and procedures.
  - (g) Operating the Bank in contravention of written loan policies and procedures.
  - (h) Creating concentrations of credit.
  - (i) Operating the Bank with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.
  - (j) Operating the Bank without adequate supervision and direction by the Bank's board of directors over the management of the Bank to prevent unsafe and unsound banking practices and violations of laws or regulations.
  - (k) Operating the Bank in violation of applicable Federal and State laws and regulations.
  - (l) Operating the Bank with a heavy reliance on short-term potentially volatile deposits as a source for funding longer-term assets.
  - (m) Operating the Bank without adequate liquidity or proper regard for funds management in light of the Bank's asset and liability mix.
  - (n) Operating with an inadequate liquidity and funds management policy.
  - (o) Operating the Bank with less than a satisfactory level of interest rate risk.

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

1. (a) If the Tier 1 Leverage Capital Ratio is less than 8 percent, or the Tier 1

Risk-Based Capital Ratio is less than 10 percent, or the Total Risk-Based Capital Ratio is less than 12 percent, as determined (i) at an examination or visitation by the FDIC or the State, (ii) upon filing of a quarterly Report of Condition, or (iii) Internal bank calculations, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director, FDIC, Dallas Regional Office (“Regional Director”) or the Commissioner of the Texas Department of Banking (“Commissioner”), present to the Regional Director and the Commissioner a plan to increase the respective ratio above the minimums required by this paragraph. After the Regional Director and the Commissioner respond to the plan, the board of directors of the Bank shall adopt the plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(b) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the plan, to increase its Tier 1 Leverage Capital Ratio, or Tier 1 Risk-Based Capital Ratio, or Total Risk-Based Capital Ratio, by an amount sufficient to bring the ratio to 8, or 10, or 12 percent, respectively, within 30 days after the Regional Director and the Commissioner respond to the plan. Such increase in capital and any increase in capital necessary to meet the ratio 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 subsequent to July 28, 2008 by the directors and/or shareholders of the Bank or by the Bank’s holding company; or

- (iii) Receipt of an income tax refund or the capitalization subsequent to July 28, 2008 of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (iv) Any other method approved by the Regional Director and the Commissioner.

2. (a) As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

(b) As of the effective date of the ORDER, the Bank shall not pay any bonus or make any retention payments to any directors, officers or employees without the prior written consent of the Regional Director and the Commissioner.

3. (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 policy and procedures for effectiveness and based upon this review, shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review and comment upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (i) Designating the Bank's normal trade area;
- (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 policy;

- (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 and cash flow projections, and shall be maintained throughout the term of the loan;
- (iv) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified “Substandard” in the Report of Examination;
- (v) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;
- (vi) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank’s internal loan watch list;
- (vii) Prohibiting the capitalization of interest or loan-related expenses unless the board of directors formally approves such

extensions of credit as being in the best interest of the Bank and provides detailed written support of its position in the board minutes;

- (viii) Requiring that extensions of credit to any of the Bank's executive officers, directors or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. § 337.3 and 12 C.F.R. Part 215;
- (ix) Requiring prior written approval by the Bank's board of directors for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that person and Related Interests of that person, exceeds \$100,000. For the purpose of this paragraph "Related Interest" is defined as in Section 215.2(n) of Regulation O, 12 C.F.R. § 215.2(n);
- (x) Requiring a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;
- (xi) Requiring accurate reporting of past due loans to the board of directors on at least a monthly basis;
- (xii) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories and development of a

tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

- (xiii) Requiring guidelines and review of out-of-territory loans which, at a minimum, shall include complete credit documentation, approval by a majority of the board of directors prior to disbursement of funds and a detailed written explanation of why such a loan is in the best interest of the Bank;
- (xiv) Establishing standards for extending unsecured credit;
- (xv) Incorporating collateral valuation requirements, including: (a) maximum loan-to-collateral-value limitations; (b) a requirement that the valuation be completed prior to a commitment to lend funds; (c) a requirement for periodic updating of valuations; and (d) a requirement that the source of valuations be documented in Bank records;
- (xvi) Establishing standards for initiating collection efforts;
- (xvii) Establishing guidelines for timely recognition of loss through charge-off;
- (xviii) 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, as of July



28, 2008, 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 and/or 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;

- (xix) Establishing officer lending limits and limitations on the aggregate level of credit to any one borrower which can be granted without the prior approval of the Bank's loan committee;
- (xx) Requiring that collateral appraisals be completed prior to the making of secured extensions of credit and that periodic collateral valuations be performed for all secured loans listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any regulatory report of examination of the Bank;
- (xxi) Requiring that the Bank's definition of the legal lending limit be updated to reflect legislative changes to the definition effective September 1, 2007.
- (xxii) Prohibiting the issuance of standby letters of credit unless the letters of credit are well secured and/or are supported by current and complete financial information;

- (xxiii) Prohibiting the payment of any overdraft in excess of \$1,000 without the prior written approval of the Bank's board of directors and imposing limitations on the use of Cash Items account;
- (xxiv) Establishing limitations on the maximum volume of loans in relation to total assets; and
- (xxv) Establishing review and monitoring procedures to ensure compliance with FDIC's regulation on appraisals, 12 C.F.R. Part 323.

(c) The Bank shall submit the foregoing policies to the Regional Director and the Commissioner for comment. After the Regional Director and the Commissioner have responded to the policies, the Bank's board of directors shall adopt the policies as amended or modified by the Regional Director and the Commissioner. The policies will be implemented immediately to the extent that they are not already in effect at the Bank.

4. (a) Within 90 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 plan to reduce the concentrations in commercial real estate ("CRE") loans in the Report of Examination as of July 28, 2008 ("Loan Concentration Plan"). Such Loan Concentration Plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce the concentration in CRE loans; and

(ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) For purposes of the Loan Concentration Plan, "reduce" means to:

(i) Charge-off;

(ii) Collect; or

(iii) Increase Tier 1 Capital.

(c) After the Regional Director and the Commissioner have responded to the Loan Concentration Plan, the Bank's board of directors shall adopt the Loan Concentration Plan as amended or modified by the Regional Director and the Commissioner. The Loan Concentration Plan shall be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

5. (a) Within 90 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 plan for the reduction and collection of delinquent loans ("Delinquent Loan Plan"). The Delinquent Loan Plan shall include, but not be limited to, provisions which:

(i) Prohibit the extension of credit for the payment of interest;

(ii) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;

(iii) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;

(iv) Establish dollar levels to which the Bank shall reduce delinquencies; and

(v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) For purposes of the Delinquent Loan Plan, "reduce" means to:

(i) Charge-off; or

(ii) Collect.

(c) After the Regional Director and the Commissioner have responded to the Delinquent Loan Plan, the Bank's board of directors shall adopt the Delinquent Loan Plan as amended or modified by the Regional Director and the Commissioner. The Delinquent Loan Plan shall be implemented immediately to the extent that the provisions of the Delinquent Loan Plan are not already in effect at the Bank.

6. (a) 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 its examination of the Bank, 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.

(b) 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 Doubtful and/or Substandard by the FDIC or the State as the result of its examination of the Bank, either in whole or in part and is uncollected, unless the Bank's board of directors

has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of directors' meeting.

7. (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 Report of Examination. The Bank shall not rebook such loans without the prior written consent of the Regional Director and the Commissioner. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit a written plan to the Regional Director and the Commissioner for review and comment to reduce the remaining assets classified Doubtful and Substandard as of July 28, 2008 ("Asset Reduction Plan"). The Asset Reduction Plan shall address each asset so classified with a balance of \$100,000 or greater and provide the following:

- (i) The name under which the asset is carried on the books of the Bank;
- (ii) Type of asset;
- (iii) Actions to be taken in order to reduce the classified asset; and
- (iv) Timeframes for accomplishing the proposed actions.

The Asset Reduction Plan shall also include, at a minimum:

- (i) A review of the financial position of each such borrower, including the source of repayment, repayment ability and alternate repayment sources; and
- (ii) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

The Asset Reduction Plan shall be formulated so that, within 365 days after the effective date of this ORDER, the Bank shall achieve a reduction in the volume of the adversely classified assets reflected in the July 28, 2008 Report of Examination, to a level not to exceed 75 percent of Tier 1 Capital plus the Allowance for Loan and Lease Losses. The Asset Reduction Plan may include a provision for increasing capital where necessary to achieve the prescribed ratio.

(c) After the Regional Director and the Commissioner have responded to the Asset Reduction Plan, the Bank's board of directors shall adopt the Asset Reduction Plan as amended or modified by the Regional Director and the Commissioner. The Asset Reduction Plan shall be implemented immediately to the extent that the provisions of the Asset Reduction Plan are not already in effect at the Bank.

(d) For purposes of the Asset Reduction Plan, the reduction of the level of adversely classified assets as of July 28, 2008, to a specified percentage of Tier 1 Capital plus the Allowance for Loan and Lease Losses may be accomplished by:

- (i) Charge-off;
- (ii) Collection;

(iii) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; or

(iv) Increase of Tier 1 Capital.

(e) 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.

8. (a) Within 30 days after the effective date of this ORDER, the Bank shall make provisions to its Allowance for Loan and Lease Losses (“ALLL”) in an amount equal to at least \$350,000. The allowance 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 an appropriate ALLL. Prior to the end of each calendar quarter, the Bank’s board of directors shall review the appropriateness of the Bank’s ALLL. Such reviews shall include the use of Financial Accounting Standards Board Statements Numbers 5 and 114 for determining the Bank’s allowance for loan and lease losses reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank’s loan portfolio. Any decision by the Bank’s board of directors not to require provisions for loan losses shall be recorded in the minutes of the board of directors’ meeting.

(b) Within 30 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 June 30, 2008 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 an appropriate ALLL.

Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

9. (a) Within 90 days after the effective date of this ORDER, the Bank's board of directors shall establish a loan review committee to periodically review the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank's board of directors at each board meeting. This report shall include but not be limited to 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 officers, directors, principal shareholders or their related interests.

(b) At least 75 percent 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:

- (i) who is not an officer of the Bank, any subsidiary of the Bank or any of its affiliated organizations;
- (ii) who does not own more than 5 percent of the outstanding shares of the Bank;
- (iii) 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;

- (iv) 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; and
- (v) who is deemed to be an Independent Director for purposes of this ORDER by the Regional Director and the Commissioner.

10. (a) Within 90 days after the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and the Commissioner. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank.

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

- (i) A description of the work to be performed under the contract or engagement letter;
- (ii) The responsibilities of the consultant;

- (iii) An identification of the professional standards covering the work to be performed;
- (iv) 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 work papers.

(c) The Management Plan shall be developed within 120 days after the effective date of this ORDER and submitted to the Regional Director and the Commissioner for review and comment. The Management Plan shall include, at a minimum:

- (i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iii) Evaluation of all Bank officers and staff members 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; and

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

(d) After the Regional Director and the Commissioner have responded to the Management Plan, the Bank's board of directors shall adopt the Management Plan as amended or modified by the Regional Director and the Commissioner. The Management Plan shall be implemented immediately to the extent that the provisions of the Management Plan are not already in effect at the Bank.

(e) On or after 120 days from the implementation of the approved Management Plan, the FDIC and the State will assess its effectiveness. If the FDIC and the State determine that the Management Plan has not been implemented on an acceptable basis, then the Bank shall retain a bank consultant acceptable to the Regional Director and the Commissioner to develop a revised Management Plan.

11. (a) The Bank shall have and retain qualified management. At a minimum, such management shall include: (i) a chief executive officer with a demonstrated ability in managing a bank of comparable size and shall have prior experience in upgrading a low quality loan portfolio; (ii) 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 (iii) a chief financial officer with an appropriate level of bank operations experience. Each member of management shall possess qualifications and experience commensurate with his or her duties and

responsibilities at the Bank. Such person(s) shall be provided the necessary authority to implement the provisions of this ORDER. 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; and
- (iv) Restore all aspects of the Bank to a safe and sound condition, including improve the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity and its sensitivity to market risk.

(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).

12. Within 180 days after the effective date of this ORDER, the Bank shall add to its board of directors one new member who is an Independent Director as defined in paragraph 9(b) above.

13. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and adopt a comprehensive strategic plan ("Strategic Plan"). The Strategic Plan required by this paragraph 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 written Strategic Plan shall address, at a minimum:
- (i) Strategies for pricing policies and asset/liability management;
  - (ii) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;
  - (iii) Goals for reducing problem loans;
  - (iv) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;
  - (v) Financial goals, including pro forma statements for asset growth, capital adequacy and earnings; and
  - (vi) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the Strategic Plan to the Regional Director and the Commissioner for review and comment. After the Regional Director and the Commissioner have responded to the Strategic Plan, the Bank's board of directors shall adopt the Strategic Plan as amended or modified by the Regional Director and the Commissioner. The Strategic Plan shall be implemented immediately to the extent that the provisions of the Strategic Plan are not already in effect at the Bank.

(d) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's performance in relation to the Strategic Plan required by this paragraph and record the results of the evaluation and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(e) The Strategic Plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and the Commissioner and after consideration of all such comments, the Bank shall approve the revised plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement the revised plan.

14. (a) Within 30 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and/or regulations noted in the 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.

15. (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 years 2009, 2010 and 2011 ("Profit Plan(s)"). The Profit Plan(s) 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 net interest income and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

- (b) The written Profit Plan(s) shall address, at a minimum:
- (i) Identification of the major areas in and means by which the board of directors will seek to improve the insured Bank's operating performance;
  - (ii) Specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses and improve and sustain earnings, as well as maintain adequate provisions to the allowance for loan and lease losses;
  - (iii) Realistic and comprehensive budgets for all categories of income and expense items;
  - (iv) A description of the operating assumptions that form the basis for and adequately support, material projected revenue and expense components;
  - (v) Coordination of the Bank's loan, investment, funds management and operating policies; strategic plan; and allowance for loan and lease loss methodology with the profit and budget planning;
  - (vi) 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; recording the results of the evaluation and any actions taken by the Bank in the minutes of the board of directors meeting at which such evaluation is undertaken; and

(vii) Individual(s) responsible for implementing each of the goals and strategies of the Profit Plan(s).

(c) Within 30 days from the end of each calendar quarter following completion of the Profit Plan(s) and budgets, required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the Profit Plan(s) and budgets, 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. After the Regional Director and the Commissioner have responded to the Profit Plan, the Bank's board of directors shall adopt the Profit Plan as amended or modified by the Regional Director and the Commissioner. The Profit Plan(s) shall be implemented immediately to the extent that the provisions of the Profit Plan(s) are not already in effect at the Bank.

16. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner for review and comment a written plan addressing liquidity and asset/liability management ("Liquidity and Asset/Liability Management Plan"). Annually thereafter, while this ORDER is in effect, the Bank shall review this Liquidity and Asset/Liability Management Plan for adequacy and, based upon such review, shall make necessary revisions to the Liquidity and Asset/Liability Management Plan to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial Liquidity and Asset/Liability Management Plan shall include, at a minimum:



- (i) Reduction of non-core liabilities, including but not limited to, brokered deposits and internet-generated deposits;
- (ii) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;
- (iii) Establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;  
and
- (iv) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996) and the Supervisory Policy Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) After the Regional Director and the Commissioner have responded to the Liquidity and Asset/Liability Management Plan, the Bank's board of directors shall adopt the Liquidity and Asset/Liability Management Plan as amended or modified by the Regional Director and the Commissioner; which adoption shall be recorded in the minutes of a board of directors' meeting. The Liquidity and Asset/Liability Management Plan shall be implemented immediately to the extent that the provisions of the Liquidity and Asset/Liability Management Plan are not already in effect at the Bank.

17. Upon the effective date of this ORDER, the Bank shall not increase the amount of brokered deposits above the amount outstanding on that date. For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's Rules and Regulations to include any deposits funded by third party agents or nominees for depositors,

including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance.

18. Within 10 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 plan for eliminating its reliance on brokered deposits (“Brokered Deposit Plan”). The Brokered Deposit Plan should contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be paid. Within 30 days after the Regional Director and the Commissioner have responded to the Brokered Deposit Plan, including any requested modifications or amendments, the Bank’s board of directors shall adopt the Brokered Deposit Plan as amended or modified by the Regional Director and the Commissioner. The Brokered Deposit Plan shall be implemented immediately to the extent that the provisions of the Brokered Deposit Plan are not already in effect at the Bank.

19. Within 90 days after the effective date of the ORDER, the Bank shall develop, adopt and implement an interest rate risk policy and procedures that shall include, at a minimum:

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

(b) A system for identifying and measuring interest rate risk;

(c) A system for monitoring and reporting risk exposures; and

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

20. After 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 shareholders: (1) in conjunction

with the Bank's next shareholder communication and (2) 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 and Securities Disclosure Section, Washington, D.C. 20429 and the Commissioner of the Texas Department of Banking, 2601 North Lamar Boulevard, Austin, Texas 78705, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC and the State shall be made prior to dissemination of the description, communication, notice or statement.

21. 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 of the Bank charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. More than 50 per cent of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall report monthly to the full board of directors of the Bank and a copy of the report and any discussion relating to the report or the ORDER shall be noted in the minutes of the Bank's board of directors' meetings. The establishment of this committee shall not diminish the responsibility or liability of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

22. Within 30 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 signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the 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, in writing, the Bank from making further reports.

This ORDER shall be binding upon the Bank, its successors and assigns and all institution-affiliated parties of the Bank. The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision of this ORDER shall have been modified, terminated, superseded or set aside by the FDIC.

This ORDER will become effective upon its joint issuance by the FDIC and the Commissioner.

Pursuant to delegated authority.

Dated this 2<sup>nd</sup> day of December, 2008.

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Thomas J. Dujenski  
Regional Director  
Dallas Region  
Division of Supervision and Consumer Protection  
Federal Deposit Insurance Corporation

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Robert Bacon  
Interim Banking Commissioner  
Texas Department of Banking  
Austin, Texas