

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
PROSPER BANK)	SUPERVISORY PROMPT CORRECTIVE
PROSPER, TEXAS)	ACTION DIRECTIVE
(INSURED STATE NONMEMBER BANK))	
_____)	FDIC-10-0207pcas

PROSPER BANK, PROSPER, TEXAS ("Bank"), is an undercapitalized insured depository institution as that term is defined in section 38(b)(1)(c) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1831o(b)(1)(c), and section 325.103(b)(3) of the Federal Deposit Insurance Corporation ("FDIC") Rules and Regulations, 12 C.F.R. § 325.103(b)(3), based upon the Bank's Consolidated Reports of Income and Condition ("Call Report") as of December 31, 2009, which shows its capital levels to be as follows: Tier 1 Leverage Ratio 3.70%, Tier 1 Risk Based Capital 4.59%, and Total Risk Based Capital Ratio 5.86%. The terms "Leverage Ratio", "Tier 1 Risk Based Capital Ratio", and "Total Risk Based Capital Ratio" shall have the same meanings as set forth in Sections 325.2(m), (w), and (y) of the FDIC Rules and Regulations, 12 C.F.R. §§ 325.2(m), (w), and (y).

On January 11, 2010, the Bank was notified that it was "Undercapitalized" as defined by the FDIC's Prompt Corrective Action ("PCA") standards as set forth in 12 U.S.C. § 1831o *et. seq.* as the result of the preliminary findings of the December 7, 2009, joint FDIC/State examination and the Bank was instructed to submit an acceptable capital restoration plan by February 25, 2010. On February 4, 2010, the Bank was notified that it was "Significantly Undercapitalized" pursuant to PCA standards based upon the Bank's Consolidated Reports of Income and Condition ("Call Report") as of December 31, 2009, and it was reminded that its capital restoration plan was due by February 25, 2010.

On March 9, 2010, the Bank submitted a capital restoration plan which the FDIC has determined was unacceptable pursuant to Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2) and Section 325.104 of the FDIC Rules and Regulations, 12 C.F.R. § 325.104. The Bank was notified that the Bank's capital restoration plan was unacceptable by letter dated March 11, 2010.

Pursuant to Section 38(f)(1), 12 U.S.C. § 1831o(f)(1), and Section 325.104(d) of the FDIC's Rules and Regulations, 12 C.F.R. § 325.104(d), the provisions applicable to a Significantly Undercapitalized apply to the Bank.

Therefore, the FDIC finds it necessary, in order to carry out the purposes of Section 38 of the Act, 12 U.S.C. § 1831o, to issue

this SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE ("DIRECTIVE") detailing the actions required by the Bank and/or the proscriptions which will be imposed on the Bank.

Accordingly, the FDIC issued a NOTICE OF INTENT TO ISSUE A SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE ("NOTICE") against the Bank on March 25, 2010. The Bank responded to the NOTICE on April 6, 2010, pursuant to the provisions of Section 308.201(c) of the FDIC's Rules of Practice and Procedure and Regulations, 12 C.F.R. § 308.201(c), the FDIC considered the Bank's response to the NOTICE pursuant to the provisions of Section 308.201(d) of the FDIC's Rules of Practice and Procedure and Regulations, 12 C.F.R. § 308.201(d), and is hereby issuing this DIRECTIVE in modified form pursuant to the provisions of Section 38 of the Act, 12 U.S.C. § 1831o, and Part 308 of FDIC's Rules of Practice and Procedure and Regulations, 12 C.F.R. Part 308.

SUPERVISORY PROMPT CORRECTIVE ACTION DIRECTIVE

1. IT IS HEREBY DIRECTED, the Bank take immediate steps to recapitalize the Bank within 30 days by:

- (a) selling enough voting shares or obligations of the Bank so that the Bank will be adequately capitalized after the sale; and/or
- (b) accepting an offer to be acquired by a depository

institution holding company or to combine with another insured depository institution pursuant to Section 38(f)(A)(i) and (iii), 12 U.S.C. § 1831o(f)(A)(i) and (iii); or

(c) adopting any other plan or method deemed acceptable by the Regional Director of the FDIC's Dallas Regional Office ("Regional Director").

2. IT IS FURTHER DIRECTED, within fourteen (14) days of the issuance of this DIRECTIVE, the Bank shall submit an acceptable revised capital restoration plan to the Regional Director in accordance with Section 38(e)(2) of the Act, 12 U.S.C. § 1831o(e)(2). The Bank's capital restoration plan shall meet the requirements of Section 325.104 of the FDIC Rules and Regulations, 12 C.F.R. § 325.104, and expressly provide, among other things, that at a minimum the Bank shall restore and maintain its capital to the levels identified in Paragraph 1 of this DIRECTIVE.

3. IT IS FURTHER DIRECTED, that during the period this DIRECTIVE is in effect, the Bank shall not accept, renew, or rollover any brokered deposits as defined in Section 337.6(a)(2) of the FDIC Rules and Regulations, 12 C.F.R. § 337.6(a)(2), pursuant to the provisions of Section 337.6(b)(3)(i), 12 C.F.R. § 337.6(b)(3)(i).

4. IT IS FURTHER DIRECTED, that during the period this DIRECTIVE is in effect, the Bank shall restrict the interest rates the Bank pays on deposits to comply with the interest rate restrictions in Section 337.6(b)(3)(ii) and (4) of the FDIC Rules and Regulations, 12 C.F.R. § 337.6(b)(3)(ii) and (4).

5. IT IS FURTHER DIRECTED, that the Bank shall comply with all prompt corrective action provisions mandated by Section 38 of the Act, 12 U.S.C. § 1831o, including, but not limited to the following:

- (a) Restriction on asset growth pursuant to Section 38(e)(3) of the Act, 12 U.S.C. § 1831o(e)(3);
- (b) Restriction on capital distributions pursuant to Section 38(d)(1) of the Act, 12 U.S.C. § 1831o(d)(1), as "capital distribution" is defined in Section 38(b)(2)(B) of the Act, 12 U.S.C. § 1831o(b)(2)(B);
- (c) Obtaining the requisite prior approval from the FDIC before the Bank directly or indirectly:
 - (i) acquires any interest in any company or insured depository institution;
 - (ii) establishes or acquires any additional branch office; or
 - (iii) engages in any new line of business pursuant to Section 38(e)(4) of the Act, 12 U.S.C. § 1831o(e)(4), and
- (d) Restriction on payment of management fees pursuant

to Section 38(d)(2) of the Act, 12 U.S.C. § 1831o(d)(2), as "management fee" is defined in Section 325.2(n) of the FDIC's Rules and Regulations, 12 C.F.R. § 325.2(n).

6. IT IS FURTHER DIRECTED, that within 60 days of the issuance of this DIRECTIVE, the Bank employ and retain a qualified Chief Lending Officer with loan collection, loan administration, and loan workout experience pursuant to Section 38(f)(2)(F)(iii) of the Act, 12 U.S.C. § 1831o(f)(2)(F)(iii). The Chief Lending Officer must be acceptable to the FDIC pursuant to Section 32 of the Act, 12 U.S.C. § 1831i and Part 303, Subpart F of the FDIC Rules and Regulations, 12 C.F.R. Part 303, Subpart F.

7. IT IS FURTHER DIRECTED, that during the period this DIRECTIVE is in effect,

- (a) the Bank shall reduce the ratio of Non-Owner Occupied Commercial Real Estate Loans to 300% of total capital; and
- (b) the Bank shall reduce the ratio of Construction, Land Development, and Other Land Loans to 100% of total capital pursuant to Section 38(f)(2)(J) of the Act, 12 U.S.C. § 1831o(f)(2)(J).

8. IT IS FURTHER DIRECTED that by the 15th day of the

month following the issuance of this DIRECTIVE and by the 15th day of every month thereafter, the Bank shall provide written reports to the Regional Director specifically detailing the extent of the Bank's compliance with this DIRECTIVE and further specifically detailing the required corrective actions being taken by the Bank to secure full compliance with this DIRECTIVE.

9. IT IS FURTHER DIRECTED, after the effective date of this DIRECTIVE, the Bank shall send to its shareholders a description of this DIRECTIVE

- (a) in conjunction with the Bank's next shareholder communication, and also
- (b) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

The description shall fully describe this DIRECTIVE in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC, Accounting and Securities Disclosure Section, Room 6066, 550 17th Street, N.W., 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.

IT IS FURTHER DIRECTED, that this DIRECTIVE shall become effective immediately upon its issuance by the FDIC.

Each provision of this DIRECTIVE shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other institution-affiliated parties of the Bank.

Each provision of this DIRECTIVE shall remain effective and enforceable until the Bank has been adequately capitalized on average for four consecutive calendar quarters, except to the extent that any provision has been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated at Dallas, Texas, this _____ day of _____, 2010.

Thomas J. Dujenski
Regional Director
Division of Supervision and
Consumer Protection