FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	ORDER TO CEASE AND DESIST
TIMBERLAND BANK EL DORADO, ARKANSAS	)	FDIC 08-145b
(Insured State Nonmember Bank)	)	

The TIMBERLAND BANK, EL DORADO, ARKANSAS ("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 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") dated July 31, 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.

The FDIC 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, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS ORDERED, that the Bank, institution-affiliated parties of the Bank, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and the Bank's 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 an excessive level of adversely classified and delinquent loans.

(c) Operating with an inadequate allowance for loan and lease losses for the volume, kind and quality of loans and leases held.

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

(1) Operating the Bank in contravention of written loan policies and procedures.

(2) Failure to obtain proper loan documentation.

(3) Failure to obtain adequate collateral.

(4) Failure to monitor collateral margins of secured borrowers and refinancing credits to borrowers in weak financial positions without improving collateral margins or establishing structured repayment programs.

(5) Renewing or extending credit without adequate and appropriate supporting documentation or renewing or extending the due dates of loans without collection, in cash, of interest due or obtaining adequate collateral to secure credit advanced for the purpose of paying interest.

(6) Failure to establish and enforce adequate loan repayment programs.

(7) Creating concentrations of credit.

(8) Poor credit administration practices.

(e) Operating with inadequate policies to monitor and control asset growth.

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

(g) 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.

(h) Operating the Bank in violation of applicable Federal and State laws and regulations.

(i) Operating the Bank with a heavy reliance on short-term potentially volatile deposits as a source for funding longer-term investments, without adequate liquidity or proper regard for funds management in light of the Bank's asset and liability mix, and with an inadequate funds management policy.

(j) Operating the Bank with an excessive level of interest rate risk.

(k) Operating the Bank with inadequate earnings to fund growth, support dividend payments, and augment capital.

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

(1) (a) Within 60 days after the effective date of this ORDER, and for so long thereafter as this ORDER is outstanding, the Bank shall achieve and maintain, after establishing an allowance for loan and lease losses ("ALLL") as required herein: Tier 1 Capital equal to or greater than eight percent of its average Total Assets after establishing an Allowance for Loan and Lease Losses as required herein ("Tier I Capital Ratio"); Tier 1 Risk-Based Capital equal to or greater than ten percent of Total Risk-Weighted Assets ("Tier 1 Risk-Based Capital Ratio"); and Total Risk-Based Capital equal to or greater than 11.5 percent of Total Risk-Weighted Assets ("Total Risk-Based Capital Ratio").

(b) (i) If the Tier 1 Capital Ratio is less than eight percent as determined at an examination by the FDIC or the ARKANSAS STATE BANK DEPARTMENT ("ASBD"), the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director of the FDIC ("Regional Director"), present to the Regional Director and the Commissioner of the Arkansas State Bank Department ("Commissioner"), a capital maintenance plan ("Capital Maintenance Plan") to increase the Tier 1 Capital Ratio of the Bank or to take other measures to bring the Tier 1 Capital Ratio to eight percent. After the Regional Director and Commissioner respond to the Capital Maintenance Plan, the board of directors of the Bank shall adopt the Capital Maintenance Plan, including any modifications or amendments requested by the Regional Director or Commissioner.

(ii) 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 Capital Ratio by an amount sufficient to bring the ratio to eight percent within 60 days after the Regional Director and Commissioner respond to the plan.

(c) (i) If the Tier 1 Risk-Based Capital Ratio is less than ten percent as determined at an examination by the FDIC or the ASBD, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and Commissioner, present to the Regional Director and Commissioner a Capital Maintenance Plan to increase the Tier 1 Risk-Based Capital Ratio of the Bank or to take other measures to bring the Tier 1 Risk-Based Capital Ratio to ten percent. After the Regional Director and Commissioner respond to the Capital Maintenance Plan, the board of directors of the Bank shall adopt the Capital Maintenance Plan, including any modifications or amendments requested by the Regional Director and Commissioner.

(ii) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the Capital Maintenance Plan, to increase its Tier 1 Risk-Based Capital Ratio by an amount sufficient to bring the ratio to ten percent within 60 days after the Regional Director and Commissioner respond to the Capital Maintenance Plan.

(d) (i) If the Total Risk-Based Capital Ratio is less than 11.5 percent as determined at an examination by the FDIC or the ASBD, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and Commissioner, present to the Regional Director and Commissioner a Capital Maintenance Plan to increase the Total Risk-Based Capital Ratio of the Bank or to take other measures to bring the Total Risk-Based Capital Ratio to 11.5 percent. After the Regional Director and Commissioner respond to the Capital Maintenance Plan, the board of directors of the Bank shall adopt the Capital Maintenance Plan, including any modifications or amendments requested by the Regional Director and Commissioner.

(ii) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the Capital Maintenance Plan, to increase its Total Risk-Based Capital Ratio by an amount sufficient to bring the ratio to 11.5 percent within 60 days after the Regional Director and Commissioner respond to the Capital Maintenance Plan.

(e) Such increase in capital and any increase in 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 subsequent to February 25, 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 February 25, 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 Commissioner.

(f) If all or part of the increase in 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 plan. Should the implementation of the 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 plan, and in any event, not less than 20 days prior to the dissemination of such materials, the 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, and the Commissioner for review. Any changes requested to be made in the plan or the materials by the FDIC or the ASBD shall be made prior to their dissemination. If the increase in 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 Commissioner for prior approval.

(g) 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's securities. The written notice required by this paragraph shall be furnished within 10 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.

(h) In addition to the requirements of subparagraphs (a) and (b), the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(i) For the purposes of this ORDER, the terms "Allowance for Loan and Lease Losses", "Risk-Weighted Assets", "Tier 1 Capital", "Tier 1 Risk-Based Capital Ratio", "Total Assets", and "Total Risk-Based Capital Ratio" 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), (s), (v), (w), (x), and (y). "Average Total Assets" shall be calculated according to the methodology set forth in the Report of Examination.

(2) 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 Commissioner.

(3) (a) Within 60 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 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 $2,000,000. 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 February 25, 2008, or by the FDIC or ASBD 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) 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;

(xxii) Prohibiting the payment of any overdraft in excess of $25,000 without the prior written approval of the Bank's board of directors, and imposing limitations on the use of Cash Items account;

(xxiii) Establishing limitations on the maximum volume of loans in relation to total assets; and

(xxiv) 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 Commissioner for comment. After the Regional Director and 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 Commissioner. The policies will be implemented immediately to the extent that they are not already in effect at the Bank.

(4) (a) Within 60 days after the effective date of this ORDER, the Bank's board of directors shall establish a loan review committee ("Loan Review Committee") to periodically review the Bank's loan portfolio and identify and categorize problem credits. The Loan Review Committee shall file a report with the Bank's board of directors at each board 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 officers, directors, principal shareholders or their related interests.

(b) At least 50 percent of the members of the Loan Review Committee shall be directors not employed in any capacity by the Bank other than as a director.

(5) (a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment a written plan for systematically reducing and monitoring the Bank's portfolio of loans, securities, and other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers in real estate construction and development (the "Concentration Plan") as listed on page 56 in the Report of Examination dated February 25, 2008, to an amount which is commensurate with the Bank's business strategy, management expertise, size, and location. At a minimum, the Concentration Plan shall include:

(i) Dollar levels and percent of capital to which the Bank shall reduce such concentration;

(ii) Timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) Provisions for the submission of monthly written progress reports on the status of the Concentration Plan to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors;

(iv) Procedures for monitoring the Bank's compliance with the Concentration Plan; and

(v) When fully implemented, the Concentration Plan shall establish a limit for any concentration to a single obligor. Such limit shall be no more than 25 percent of the Bank's Tier 1 Capital.

(b) The Bank shall submit the Concentration Plan to the Regional Director and Commissioner for review and comment within 60 days after the effective date of this ORDER. Within 30 days of receipt of all such comments from the Regional Director and Commissioner, and after consideration of all such comments, the Bank shall approve the revised Concentration Plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the Concentration Plan.

(c) The Bank shall not make any new extensions or commitments of credit to or for the benefit of any borrower or associated entities so long as such extension or commitment would result in the Bank exceeding any limit contained in the Concentration Plan.

(6) (a) Within 90 days after the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the Report of Examination as of February 25, 2008.

(b) Within 60 days after the effective date of this ORDER, the Bank shall implement a system of monitoring loan documentation exceptions on an ongoing basis and implement procedures designed to reduce the occurrence of such exceptions in the future.

(7) (a) Within 30 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 and one-half of the assets classified Doubtful by the FDIC as a result of the examination of the Bank as of February 25, 2008. 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 ASBD.

(8) (a) Within 60 days after the effective date of this ORDER, the Bank shall submit a written plan to the Regional Director and Commissioner to reduce the remaining assets classified Doubtful and Substandard ("Classified Asset Reduction Plan") as of February 25, 2008. The Classified Asset Reduction Plan shall address each asset so classified with a balance of $250,000 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 Classified Asset Reduction Plan shall also include, at a minimum,

(i) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

The Classified Asset Reduction Plan shall be formulated so that, within 180 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 February 25, 2008 Report of Examination, to a level not to exceed 70 percent of Tier 1 Capital plus the ALLL as determined at the end of the 180 day period. The Classified Asset Reduction Plan may include a provision for increasing capital where necessary to achieve the prescribed ratio.

(b) The Bank shall present the Classified Asset Reduction Plan to the Regional Director and Commissioner for review. Within 30 days after the Regional Director's and Commissioner's responses, the Classified Asset Reduction Plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors. The Bank shall then immediately initiate measures detailed in the Classified Asset Reduction Plan to the extent such measures have not been initiated.

(c) For purposes of the Classified Asset Reduction Plan, the reduction of the level of adversely classified assets as of February 25, 2008, to a specified percentage of Tier 1 Capital plus the ALLL 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 ASBD; or

(iv) Increase of Tier 1 Capital.

(9) (a) Within 30 days after the effective date of this ORDER, the Bank shall make provisions to its ALLL in the amount of at least $710,000. 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 a fully-funded ALLL commensurate with the risk identified in the loan portfolio, while utilizing a reliable methodology that complies with applicable accounting standards. 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 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 December 31, 2007, 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 Bank as of the reporting date.

(c) Within 60 days after the effective date of this ORDER, the Bank must use 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. The directorate must document with written reasons any decision not to require provisions for loan losses in the board minutes.

(10) (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; 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 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).

(11) (a) Within 60 days after the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and 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 Commissioner with a copy of the proposed engagement letter or contract 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 60 days after the approval of the consultant contract. 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 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 positions identified in the Management Plan.

(d) The Management Plan shall be submitted to the Regional Director and Commissioner for review and comment upon its completion. Within 30 days from the receipt of any comments from the Regional Director and 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/or any subsequent modification.

(12) (a) Within 90 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;

(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 Commissioner for review and comment. After consideration all such comments, the Bank shall approve the Strategic Plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the Strategic Plan.

(13) (a) Within 60 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination dated February 25, 2008.

(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.

(c) Within 60 days after the effective date of this ORDER, the Bank shall address any contraventions of policy noted in the Report of Examination dated February 25, 2008.

(14) (a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Commissioner for review and comment written profit plans ("Profit Plans") and a realistic, comprehensive budget for all categories of income and expense for calendar years 2008 and 2009. The Profit Plans 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) Within 30 days from the end of each calendar quarter following completion of the Profit Plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the Profit Plans 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.

(c) 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 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 Commissioner and after adoption of any recommended changes, the Bank shall approve the Profit Plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the Profit Plan.

(15) (a) Within 90 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and Commissioner for review and comment a written plan addressing asset/liability management ("Asset/Liability Management Plan"). Annually thereafter, while this ORDER is in effect, the Bank shall review the Asset/Liability Management Plan for adequacy and, based upon such review, shall make necessary revisions to the Asset/Liability Management Plan to strengthen funds management procedures. The initial Asset/Liability Management Plan shall include, at a minimum, provisions:

(i) Limiting the Bank's ratio of total loans to total assets to not more than 80 percent. The requirements of this paragraph shall not be construed as standards for future operations, and the Bank's total loan to total asset ratio shall be monitored on a monthly basis and maintained at a level consistent with safe and sound banking practices;

(ii) Establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;

(iii) Identifying the source and use of borrowed and/or volatile funds;

(iv) Establishing lines of credit at correspondent banks, including the Federal Reserve Bank of Dallas or the Federal Home Loan Bank Board, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;

(v) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

(vi) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;

(vii) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;

(viii) Addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings); and

(ix) 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) Within 30 days from the receipt of all such comments from the Regional Director and Commissioner, and after revising the Asset/Liability Management Plan as necessary, the Bank shall adopt the Asset/Liability Management Plan, which adoption shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the Asset/Liability Management Plan.

(16) (a) Within 60 days after the effective date of the ORDER, the Bank shall develop, adopt, and implement an interest rate risk policy ("Interest Rate Risk Policy") and procedures that shall include, at a minimum:

(i) 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;

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

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

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

(b) The Bank shall submit the Interest Rate Risk Policy to the Regional Director and Commissioner for review. Within 30 days after the Regional Director's and Commissioner's responses, the Interest Rate Risk Policy, including any modifications or amendments requested by the Regional Director or Commissioner, shall be adopted by the Bank's board of directors. The Bank shall immediately initiate measures detailed in the Interest Rate Risk Policy, as amended or modified, to the extent such measures have not been initiated. Any discussion of the Interest Rate Risk Policy, its modifications or amendments shall be stated in the Bank's board of directors' meeting minutes.

(17) Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a subcommittee of the board of directors charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The subcommittee shall report monthly to the entire board of directors of the Bank, and a copy of the report and any discussion related to the report or the ORDER shall be included in the minutes of the Bank's board of directors' meeting. Nothing contained herein shall diminish the responsibility of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

(18) During the life of this ORDER, the Bank shall continue to participate in the ASBD's monthly Self-Examination Program. The Bank will attest to the accuracy of these reports and provide copies of the reports to the Regional Director and Commissioner.

(19) 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 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 has released, in writing, the Bank from making further reports.

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 also (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, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

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 issuance by the FDIC.

Pursuant to delegated authority.

Dated this 31st day of July, 2008.

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Thomas J. Dujenski

Regional Director
Dallas Regional Office
Division of Supervision and Consumer Protection