FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of OAKLAND DEPOSIT BANK OAKLAND, TENNESSEE (Insured State Nonmember Bank)	ORDER TO CEASE AND DESIST FDIC-08-319b

Oakland Deposit Bank, Oakland, Tennessee ("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 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 December 2, 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 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 regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

<u>ORDER TO CEASE AND DESIST</u>

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:

1. Operating the Bank with an inadequate level of capital protection for the kind and quality of assets held by the Bank.
2. Operating the Bank with less than satisfactory liquidity or proper regard for funds management in light of the Bank's asset and liability mix.
3. Operating the Bank with an excessive level of adversely classified assets.
4. Failing to provide an adequate allowance for loan and lease losses for the volume, kind and quality of loans and leases held.
5. Operating the Bank in violation of applicable Federal laws and regulations.
6. Operating the Bank with a heavy reliance on short-term potentially volatile deposits as a source for funding longer-term investments.
7. Creating concentrations of credit.
8. Failing to maintain accurate books and records.
9. Failing to maintain the general ledger properly.
10. Operating the Bank with inadequate earnings to fund growth, support dividend payments and augment capital.
11. Operating the Bank with inadequate internal review policies or procedures.
12. Operating the Bank with excessive levels of interest rate risk.
13. Engaging in hazardous lending, failing to adhere to prudent loan administration practices, and engaging in ineffective and/or lax collection practices.

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

CAPITAL

1. (a) Within 60 days after the effective date of this ORDER, the Bank shall increase and maintain its Capital by an amount, after establishing an Allowance for Loan and Lease Losses, that results in Tier 1 Capital equal to or greater than 8 percent of Total Assets and results in Total Risk-Based Capital equal to or greater than 12 percent of Total Risk-Weighted Assets. The necessary actions to recapitalize the Bank and to increase the Bank's Tier 1 Capital and Total Risk-Based Capital necessary to meet the required capital ratios required by this ORDER may be accomplished by, but not limited to, the following:

(1) The sale of securities in the form of common stock; or

(2) The direct contribution of cash subsequent to October 31, 2008, by the directors and shareholders of the Bank or by the Bank's holding company; or

(3) The acceptance of an offer to be acquired by a depository institution holding company, subject to Federal and State regulatory approval; or

(4) The acceptance of an offer to be acquired by an FDIC insured depository institution, subject to Federal and State regulatory approval; or

(5) The acceptance of an offer to be acquired by a third party, subject to Federal and State regulatory approval; or

(6) Any other method approved by the Regional Director of the

FDIC's Dallas Region ("Regional Director") and the Commissioner of the Department of Financial Institutions ("Commissioner") for the State of Tennessee ("State").

(b) Subsequently, if the ratios of Tier 1 Capital and/or Total Risk-Based Capital are less than 8 percent and 12 percent, respectively, as determined by the FDIC or the State, the Bank shall take the necessary action, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and the Commissioner, to increase its Tier 1 Capital and/or Total Risk-Based Capital by an amount sufficient to bring the Tier I Capital ratio to 8 percent and/or the Total Risk-Based Capital ratio to 12 percent.

(c) If all or part of the increase in Tier 1 Capital and/or Total Risk-Based 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 fifteen (15) 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, Accountant and Securities Disclosure Section, Washington, D.C. for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital and/or Total Risk-Based

Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(d) 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.

(e) 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.

(f) For the purposes of this ORDER, the terms "Allowance for Loan and Lease Losses," "Tier 1 Capital," and "Total Risk-Based Capital" shall be as defined in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

LIQUIDITY/ASSET/LIABILITY MANAGEMENT

2. (a) Immediately upon the effective date of the ORDER, the Bank shall take the necessary action to improve liquidity to a level sufficient to meet the Bank's liquidity needs.

(b) 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, the Bank's relationship of volatile liabilities to temporary investments, rate sensitivity objectives and asset/liability management. Annually thereafter, while this ORDER is in effect, the Bank shall review this plan for adequacy and, based upon such review, shall make necessary revisions to the plan to strengthen funds management procedures and to maintain adequate provisions to meet the Bank's liquidity needs. The initial plan shall include, at a minimum, provisions:

(1) Requiring the total loan to total deposits ratio shall be monitored on a monthly basis and maintained at a level consistent with safe and sound banking practices;

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

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

(4) Establishing lines of credit at correspondent banks, including the appropriate Federal Reserve Bank 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;

(5) 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;

(6) Establishing a minimum liquidity ratio and defining how the ratio

is to be calculated;

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

(8) Addressing the use of borrowings (for example, 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 (for example, brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings); and

(9) 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 the Commissioner, and after revising the plan as necessary, the Bank shall adopt the plan, which adoption shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the plan.

DIVIDEND RESTRICTION

3. 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.

INTERNAL ROUTINE AND CONTROL POLICY

4. (a) Within 60 days after the effective date of this ORDER, the Bank's board of directors shall adopt and implement a policy for the operation of the Bank in such a manner as to provide adequate and effective internal routines and controls consistent with safe and sound banking practices. The Bank's board of directors shall ensure that appropriate Bank personnel comply with established internal routines and controls and are held accountable for noncompliance with such internal routines and controls. At a minimum, the policy shall include provisions for: (i) review of loan receivables on the Bank's general ledger; (ii) segregation of duties between loan origination, processing, and disbursement; (iii) Official check procedures; (iv) compliance with all of the provisions of the Bank's loan policy; and (v) proper accounting for cash items, correspondent bank reconciliations, and Official checks used for loan disbursements.

(b) The Bank shall submit the policy to the Regional Director and the Commissioner for review and comment. After incorporating any regulatory comments, the Bank's board of directors shall adopt and implement the policy.

LOAN REVIEW

5. (a) Within 60 days after the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. An "independent" loan review is one conducted by qualified loan reviewers who are independent of the loan staff. At a minimum, the system shall provide for:

(i) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) Action plans to reduce the Bank’s risk exposure from each identified relationship;

(iii) Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iv) Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Bank’s risk exposure;

(v) Assessment of the overall quality of the loan portfolio;

(vi) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(vii) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(viii) Identification of loans that are not in conformance with the Bank's lending policy and an action plan to address the identified deficiencies;

(ix) Identification of loans to directors, officers, principal shareholders, and their related interests;

(x) An assessment of the ability of individual members of the lending staff to operate within the framework of the Bank’s loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(xi) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (viii) above to the board of directors. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Bank shall submit the program to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment from the Regional Director and the Commissioner, and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the board, as well as documentation of the actions taken by the Bank or recommendations to the board that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or other elements of the Bank's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the board of directors.

LOAN REVIEW COMMITTEE

6. (a) Within 60 days after the effective date of this ORDER, the Bank's board of directors shall establish a Loan Review Committee to monitor the Bank's loan review activities to ensure accurate and timely loan grading, as well as the identification and reporting of loan policy exceptions. The Loan Review Committee will review the external loan review reports, internal loan review reports, past due loan reports, nonaccrual loan reports, the watch list, and other management reports to ensure an accurate assessment of the quality of the loan portfolio. The Loan Review Committee will report its findings to the board of directors.

(b) The Loan Review Committee shall be comprised of at least two (2) Independent Directors, the Senior Credit Officer, and the Collections Officer. For purposes of this ORDER, a person who is an Independent Director shall be any individual: (a) who is not an officer of the Bank, any subsidiary of the Bank, or any of its affiliated organizations; (b) who does not own more than five percent of the outstanding shares of the Bank; (c) who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than five percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director, or shareholder; and (d) 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 five percent of the Bank's total Tier 1 Capital and Allowance for Loan and Lease Losses; or (e) who is deemed to be an Independent Director for purposes of this ORDER by the Regional Director and the Commissioner. The addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's bylaws, by means of appointment or election at a regular or special meeting of the Bank's shareholders.

(c) In addition, the Loan Review Committee shall review a list of loan approvals, renewals, modifications, extensions, and release or substitution of collateral on loans of $25,000 or greater and a sampling of loans below that amount. The Loan Review Committee shall maintain minutes of its meetings, which shall include the list of loans reviewed, together with a list of adversely rated credits identified (to include loan grade) and a list of any exceptions to policy identified. Any recommendations by the committee regarding such credits should also be included. The requirements of this paragraph shall not require the Loan Review Committee to review monthly amortizing loans up for renewal that are in compliance with loan policy guidelines after full collection, in cash, of interest due from the borrower.

<u>CHARGE-OFF AND REDUCTION OF CLASSIFIED ASSETS</u>

7. (a) Within 60 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 or the State as a result of the examination of the Bank on September 15, 2008, as identified on documentation provided to the Bank by the FDIC on October 28, 2008. 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 60 days after the effective date of this ORDER, the Bank shall submit a written plan to the Regional Director and the Commissioner to reduce the remaining assets classified Doubtful and Substandard as a result of the examination of the Bank on September 15, 2008, as identified on documentation provided to the Bank by the FDIC on October 28, 2008. The plan shall address each asset so classified, with a book value exceeding $100,000 and provide the following:

(1) The name under which the asset is carried on the books of the Bank;

(2) Type of asset;

(3) Actions to be taken in order to reduce the classified asset; and

(4) Timeframes for accomplishing the proposed actions.

The plan shall also include, at a minimum:

(1) An analysis of the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(2) An evaluation of the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating review by the Bank's board of directors.

(c) The Bank shall present the plan to the Regional Director and the Commissioner for review. Within 30 days after the Regional Director's and the Commissioner's response, the 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 plan to the extent such measures have not been initiated.

(d) For purposes of the plan, the reduction of adversely classified assets as of September 15, 2008, may be accomplished by:

(1) Charge-off;

(2) Collection; or

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

(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.

ADDITIONAL ADVANCES TO CLASSIFIED BORROWERS

8. (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, either in whole or in part, by the FDIC or the State as the result of its examination of the Bank, and remains 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.

DELINQUENT LOANS

9. (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. Such 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 Bank's board of directors.

(b) For purposes of the plan, "reduce" means to:

(i) Charge-off; or

(ii) Collect.

(c) After incorporating any regulatory comments, the Bank's board of directors shall adopt and implement the plan.

MAINTENANCE OF ALLOWANCE FOR LOAN AND LEASE LOSSES

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall make a provision which will replenish the Allowance for Loan and Lease Losses ("ALLL") for the loans charged off as a result of the joint FDIC and State examination of the Bank started on September 15, 2008, as identified on documentation provided to the Bank by the FDIC on October 28, 2008, and reflect the potential for further losses in the remaining loans or leases classified "Substandard" and "Doubtful" at the referenced joint examination of the Bank, as well

as all other loans and leases in its portfolio. 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 ALLL.

(b) Within 60 days after the effective date of this ORDER, the Bank shall amend Consolidated Reports of Condition and Income filed with the FDIC on or after June 30, 2008, and amend said reports 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.

BANK MANAGEMENT

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 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 engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

(1) A description of the work to be performed under the contract or engagement letter;

(2) The responsibilities of the consultant;

(3) An identification of the professional standards covering the work to be performed;

(4) Identification of the specific procedures to be used when carrying out the work to be performed;

(5) The qualifications of the employee(s) who are to perform the work;

(6) The time frame for completion of the work;

(7) Any restrictions on the use of the reported findings; and

(8) A provision for unrestricted examiner access to work papers.

(c) The Management Plan shall be developed within 60 days after the effective date of this ORDER. The Management Plan shall include, at a minimum:

(1) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(2) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(3) 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

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

BOARD PARTICIPATION

12. From the effective date of this ORDER, the board shall continue to review and approve, at a minimum, reports regarding the following areas: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. This participation shall include meetings to be held no less frequently than monthly. The Bank's Board minutes shall document these reviews and

approvals, including the nature of any dissenting directors.

CORRECTION OF VIOLATIONS

13. (a) Within 60 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all apparent violations of law and regulation noted during the joint FDIC and State examination of the Bank started on September 15, 2008, as identified on documentation provided to the Bank by the FDIC on October 28, 2008.

(b) Within 60 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 during the joint FDIC and State examination of the Bank started on September 15, 2008.

BROKERED DEPOSITS

14. Upon the effective date of this ORDER, the Bank shall comply with the brokered deposit rules contained in section 337.6 of the FDIC's Rules and Regulations.

EXTERNAL AUDITS

15. (a) Within 60 days after the effective date of this ORDER, the Bank shall cause an external audit of its financial statements and a review of its internal controls to be performed by an independent public accounting firm acceptable to the Regional Director and the Commissioner.

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

(1) A description of the work to be performed under the engagement letter;

(2) The responsibilities of the accounting firm;

(3) An identification of the professional standards covering the work to be performed;

(4) Identification of the specific procedures to be used when carrying out the work to be performed;

(5) The qualifications of the employee(s) who are to perform the work;

(6) The time frame for completion of the work;

(7) Any restrictions on the use of the reported findings; and

(8) A provision for unrestricted examiner access to work papers.

(c) While this ORDER is in effect, the Bank shall forward copies of any external audit reports it receives to the Regional Director and the Commissioner within 10 days from the Bank's receipt of such reports.

REDUCTION OF CONCENTRATIONS

16. (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 plan to reduce each of the loan concentrations of credit identified during the joint FDIC and State examination of the Bank started on September 15, 2008, as identified on documentation provided to the Bank by the FDIC on October 28, 2008. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

(1) Dollar levels to which the Bank shall reduce each concentration; and

(2) 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 plan, "reduce" means to:

(1) Charge-off;

(2) Collect; or

(3) Increase Tier 1 Capital.

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

STRATEGIC PLAN

17. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and adopt a comprehensive strategic plan. The 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:

(1) Strategies for pricing policies and asset/liability management;

(2) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(3) Goals for reducing problem loans;

(4) Plans for attracting and retaining qualified individuals to fill vacancies in the lending and accounting functions;

(5) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;

(6) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) 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.

(d) 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 a board of directors' meeting. Thereafter, the Bank shall implement the revised plan.

INTERNAL AUDIT CONTROL PROGRAM

18. Within 60 days after the effective date of this ORDER, the Bank's board of directors shall implement an effective program for internal audit and control. The audit program shall provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records, and shall comply with the Interagency Policy Statement on the

Internal Audit Function and its Outsourcing. The internal auditor shall report quarterly to the Bank's board of directors. The report and any comments made by the directors regarding the internal auditor's report shall be noted in the minutes of the Bank's board of directors' meeting.

INTEREST RATE RISK

19. (a) Within 60 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:

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

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

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

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

BOARD OF DIRECTORS REVIEW

20. Within 60 days after the effective date of this ORDER, and not less than monthly thereafter, the Bank's board of directors shall review compliance with the provisions of this ORDER. A summary of compliance with each provision and discussions related to the review of the ORDER shall be included in the minutes of the Bank's board of directors meeting.

NOTIFICATION TO SHAREHOLDERS

21. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER (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 & Securities Unit, 550 17th Street, N.W., Room F-6043, Washington, D.C. 20429, and to the State for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Commissioner shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

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

TEMPORARY LIQUIDITY GUARANTEE PROGRAM

23. The Bank hereby acknowledges that it is not now, and will not be for at least so long as this ORDER remains in effect, eligible to participate in the FDIC's Temporary Liquidity Guaranty Program.

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

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

This ORDER shall become effective on its issuance by the FDIC.

Pursuant to delegated authority.

Dated this 5th 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