

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

_____)	
In the Matter of)	
CENTRAL PROGRESSIVE BANK)	ORDER TO CEASE AND
LACOMBE, LOUISIANA)	DESIST
(Insured State Nonmember Bank)	FDIC 07-105b
_____)	

Central Progressive Bank, Lacombe, Louisiana ("Insured Institution"), 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 Insured Institution 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 __, 2007, 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 Insured

Institution 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 Insured Institution 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 Insured Institution, institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), of the Insured Institution, 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 Insured Institution with management whose policies and practices are detrimental to the Insured Institution and jeopardize the safety of its deposits.

(b) Operating the Insured Institution without adequate supervision and direction by the Insured Institution's board of directors over the management of the Insured Institution to prevent unsafe and unsound banking practices and violations of laws or regulations.

(c) Operating the Insured Institution with an inadequate level of capital protection for the kind and quality of assets

held by the Insured Institution.

(d) Operating the Insured Institution with an excessive level of adversely classified assets.

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

(f) Engaging in hazardous lending with ineffective and/or lax collection practices.

(g) Operating the Insured Institution in contravention of sound written loan policies and procedures.

(h) Operating the Insured Institution in violation of applicable Federal and State laws and regulations, including the Bank Secrecy Act, 31 U.S.C. §§ 5311-5330, 12 U.S.C. §§ 1818(s), 1829(b), and 1951-1959, and their implementing regulations, 31 C.F.R. Part 103, *et seq.*

(i) Operating the Insured Institution with inadequate internal review policies or procedures or internal routines and controls.

(j) Operating the Insured Institution with an inadequate audit program.

(k) Operating the Insured Institution without adequate liquidity or proper regard for funds management in consideration of the Insured Institution's asset and liability mix.

IT IS FURTHER ORDERED, that the Insured Institution, its

institution-affiliated parties and its successors and assigns take affirmative action as follows:

CAPITAL

1. (a) The Insured Institution shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to nine and one-half percent of total assets;

(ii) Tier 1 risk-based capital at least equal to ten percent of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to twelve percent of total risk-weighted assets.

(b) In addition, the Insured Institution shall comply with the FDIC 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.

CAPITAL PLAN

2. (a) Within 90 days of the effective date of this ORDER, the Board shall develop a capital plan that shall be submitted to the Regional Director and the Commissioner of the Louisiana Office of Financial Institutions ("Commissioner"), for

review and comment. Within 30 days of receipt of all such comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meetings of the board of directors. Thereafter, the Insured Institution shall implement and fully comply with the capital plan. The Board shall review and update the Insured Institution's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Regional Director and the Commissioner. At a minimum, the program shall include:

(i) Specific plans for the maintenance of adequate capital that may in no event be less than the requirements of the provisions of paragraph 1;

(ii) Projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Insured Institution's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Insured Institution's strategic business plan;

(iii) Projections for the amount and timing of the capital necessary to meet the Insured Institution's current and future needs;

(iv) The primary source(s) from which the Insured

Institution will strengthen its capital to meet the Insured Institution's needs;

(v) Contingency plans that identify alternative sources of capital should the primary source(s) under subparagraph (iv) above not be available; and

(vi) A dividend policy that permits the declaration of a dividend only:

1) When the Insured Institution is in compliance with its approved capital program;

2) When, after payment of such dividends, the Insured Institution remains in compliance with the above minimum capital ratios; and

3) When such declaration and payment of dividends has been approved in advance by the board of directors of the Insured Institution.

(b) The Board shall ensure that the Insured Institution has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this provision.

(c) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(i) The sale of new securities in the form of common stock;

(ii) The sale of noncumulative perpetual preferred stock;

(iii) The direct contribution of cash by the directors, shareholders, or parent holding company of the Insured Institution; or

(iv) Any other method acceptable to the FDIC and the OFI and approved in advance in writing by the Regional Director and the Commissioner.

(d) The Insured Institution shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of Insured Institution or affiliate stock or other securities, or to any investor by any other means for any portion of any increase in Tier 1 capital required herein.

INCREASE IN CAPITAL

3. (a) If all or part of the increase in capital required by the provisions of this paragraph is accomplished by the sale of new securities, the board of directors of the Insured Institution shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Insured Institution's securities (including a distribution limited only to the Insured

Institution's existing shareholders), the Insured Institution shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Insured Institution and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with the 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 Regional Director and the Commissioner, and the FDIC Registration, Disclosure, and Securities Unit, 550 17th Street, N.W., Room F-6053, Washington, D.C. 20429 for review. Any changes requested by the FDIC or the Commissioner to be made in the plan or materials by the FDIC shall be made prior to their dissemination. If the Regional Director allows any part of the increase in Tier 1 capital to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue, including but not limited to those terms and conditions relative to the interest rate and any convertibility factor, shall be presented to the Regional Director and the Commissioner for prior approval.

(b) In complying with the provisions of this paragraph, the Insured Institution shall provide to any subscriber and/or purchaser of the Insured Institution's

securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Insured Institution securities. The written notice required by this paragraph shall be furnished within 30 days from the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every subscriber and/or purchaser of the Insured Institution's securities who received or was tendered the information contained in the Insured Institution's original offering materials.

(c) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC Rules and Regulations.

CONCENTRATIONS OF CREDIT

4. (a) Within 90 days from the effective date of this ORDER, the Insured Institution shall develop and submit a written plan to the Regional Director and the Commissioner for systematically reducing and monitoring the Insured Institution's portfolio of loans, securities, or 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 44 in

the FDIC Report of Examination dated October 30, 2006 ("Report of Examination"), to an amount which is commensurate with the Insured Institution's business strategy, management expertise, size, and location. At a minimum, the plan shall include:

(i) Dollar levels and percent of capital to which the Insured Institution shall reduce each 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 to the Insured Institution's board of directors for review and notation in minutes of the meetings of the board of directors;

(iv) Procedures for monitoring the Insured Institution's compliance with the 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 Insured Institution's Tier 1 capital.

(b) The Insured Institution shall submit the Concentration Plan to the Regional Director and the Commissioner for review and comment within 90 days of the effective date of this ORDER. Within 30 days of receipt of all such comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution

shall approve the revised Concentration Plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement and fully comply with the Concentration Plan.

(c) The Insured Institution 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 Insured Institution exceeding any limit contained in the Concentration Plan.

REDUCTION OF ADVERSELY CLASSIFIED ASSETS

5. (a) Within 90 days from the effective date of this ORDER, the Insured Institution shall formulate a written plan to reduce the Insured Institution's risk exposure in each asset in excess of \$250,000 "Substandard" in the Report of Examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and/or the Commissioner. In developing the plan mandated by this paragraph, the Insured Institution shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and

accessibility of any pledged or assigned collateral, and any possible actions to improve the Insured Institution's collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) A schedule for reducing the outstanding dollar amount of each adversely classified asset, including timeframes for achieving the reduced dollar amounts (at a minimum, the schedule for each adversely classified asset must show its expected dollar balance on a quarterly basis);

(ii) Specific action plans intended to reduce the Insured Institution's risk exposure in each classified asset;

(iii) A schedule showing, on a quarterly basis, the expected consolidated balance of all adversely classified assets, and the ratio of the consolidated balance to the Insured Institution's projected Tier 1 capital plus the allowance for loan and lease losses;

(iv) A provision for the Insured Institution's submission of monthly written progress reports to its board of directors; and

(v) A provision mandating board review of the progress reports, with a notation of the review recorded in the minutes of the meeting of the board of directors.

(c) The requirements of this paragraph do not

represent standards for future operations of the Insured Institution. Following compliance with the above reduction schedule, the Insured Institution shall continue to reduce the total volume of adversely classified assets. The plan may include a provision for increasing Tier 1 capital when necessary to achieve the prescribed ratio.

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

RESTRICTIONS ON ADVANCES TO ADVERSELY CLASSIFIED BORROWERS

6. (a) While this ORDER is in effect, the Insured Institution shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Insured Institution that has been, in whole or in part, charged off or classified "Loss" and is uncollected. The requirements of this paragraph shall not prohibit the Insured Institution

from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Subparagraph (a) of this paragraph 6 shall not apply if the Insured Institution's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Insured Institution. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Insured Institution's board of directors, or a designated committee thereof, who shall certify, in writing:

(i) Why failure of the Insured Institution to extend such credit would be detrimental to the best interests of the Insured Institution.

(ii) That the extension of such credit would improve the Insured Institution's position, including an explanatory statement of how the Insured Institution's position would improve.

(iii) An appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(iv) The signed certification shall be made a part of the minutes of the meeting of the board of directors, or

designated committee, with a copy retained in the borrower's credit file.

(c) While this ORDER is in effect, the Insured Institution shall not make any further extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" by the FDIC and/or the Commissioner without prior approval by the Insured Institution's board of directors. The Insured Institution's board of directors shall not approve the proposed extension without first making affirmative determinations that:

(i) The extension of credit is in full compliance with the Insured Institution's loan policy;

(ii) The extension of credit is necessary to protect the Insured Institution's interests, or is adequately secured;

(iii) The Insured Institution found the primary and secondary obligors to be creditworthy based on a credit analysis; and

(iv) All necessary loan documentation is on file, including, at a minimum, current financial and cash flow information, and satisfactory appraisal, title and lien documents.

(d) The affirmative determination shall be recorded in the minutes of the meeting of the board of directors, with a

copy retained in the borrower's credit file.

IMPLEMENTATION OF LOAN REVIEW

7. (a) Within 60 days of the effective date of this ORDER, the board of directors shall develop a program of independent loan review that will provide for a periodic review of the Insured Institution's loan portfolio and the identification and categorization of problem credits. 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 Insured Institution'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 Insured Institution'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 Insured Institution'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 Insured Institution'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 Insured Institution 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 or the Commissioner, and after due consideration of any recommended changes, the Insured Institution shall approve the program, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Insured Institution shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the board of directors, as well as documentation of the actions taken by the Insured Institution or recommendations to the board of directors that address identified deficiencies in specific loan relationships or the Insured Institution's policies, procedures, strategies, or other elements of the Insured Institution'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.

IMPLEMENTATION OF LOAN POLICY

8. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Insured Institution shall review the Insured Institution's loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Insured Institution's asset quality and lending functions and to prevent further deterioration. As required by this paragraph, the Insured Institution's loan policies shall be enhanced to include, at a minimum, provisions that:

(i) Identify the general fields of lending in which the Insured Institution will engage, the types and kinds of loans and collateral considered desirable, and the types and kinds of loans and collateral considered undesirable;

(ii) Require a determination that loan officers have the necessary expertise to make, monitor, and service the types and kinds of loans that will be assigned to them, and that appropriate supervision by a qualified loan officer will be provided if the assigned loan officer does not possess the necessary expertise;

(iii) Establish 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 reports that identify deviations from established policy and the loan officers responsible for the deviations;

(iv) Designate the Insured Institution's normal trade area;

(v) Establish limitations on the maximum volume of loans in relation to total assets;

(vi) Require that for all extensions of credit originated or renewed by the Insured Institution, including loans purchased from a third party (loan participations):

a) Have a clearly defined and stated purpose;

b) Have a predetermined and realistic repayment source and schedule, including secondary source of repayment;

c) Are supported by complete loan documentation, including lien searches, perfected security interests, and collateral valuations; and

d) Are supported by current financial information, profit and loss statements or copies of tax returns, and cash flow projections, which information shall be maintained throughout the term of the loan; and are otherwise in conformance with the Insured Institution's lending policies and

procedures.

(vii) Establish standards for extending unsecured credit;

(viii) Incorporate limitations on the amount that can be loaned in relation to established collateral values, require the source of collateral valuations to be identified, require that collateral valuations be completed prior to the commitment to lend funds, and require that collateral valuations be performed on a periodic basis over the term of the loan;

(ix) Require that extensions of credit to any of the Insured Institution's executive officers, directors, or principal shareholders, or to any related interest of such person, be reviewed for compliance with all provisions of Regulation O and Part 337 of the FDIC Rules and Regulations, 12 C.F.R. Part 337;

(x) Require a non-accrual policy in accordance with the Federal Financial Insured Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;

(xi) Address concentrations of credit and diversification of risk in compliance with the Interagency Guidance on "Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices," including but not limited to, 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;

(xii) Require strict guidelines for out-of-territory loans, which, at a minimum, include an aggregate limitation on such loans, require complete credit documentation, and require approval by a majority of the board of directors prior to disbursement of funds, including a written explanation of why such loans are in the best interest of the Insured Institution;

(a) For purposes of this ORDER, the Insured Institution's "territory" is defined as any parish where the Bank's main office or any of its branches are located, and any other parishes or counties contiguous to such parishes.

(xiii) Require that collateral appraisals be completed prior to making secured extensions of credit, and define the circumstances and time frames under which subsequent collateral valuations will be performed;

(xiv) Establish review and monitoring procedures for compliance with the FDIC appraisal regulation, 12 C.F.R. Part 323;

(xv) Require the establishment and maintenance of an adequate loan grading system and internal loan watch list;

(xvi) Require a written plan to lessen the risk position in each line of credit identified as a problem credit on the Insured Institution's internal loan watch list;

(xvii) Require loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" and "Doubtful" in Regulatory Reports of Examination; and

(xviii) Prohibit extending the maturity date, advancing additional credit, or renewing a loan to a borrower whose obligations to the Insured Institution were classified "Substandard" or "Doubtful," whether in whole or in part, in Regulatory Reports of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are adequately supported by current and complete financial information, and the extension or renewal has first been approved in writing by a majority of the Insured Institution's board of directors.

COMPLIANCE MONITORING AND COMMITTEE

9. (a) Within 30 days from the effective of this ORDER, the board of directors shall establish a board committee, consisting of at least five (5) members, responsible for ensuring compliance with the ORDER, overseeing corrective

measures with respect to the ORDER, and reporting to the board of directors. More than fifty percent of the members of the committee shall be independent directors as defined herein. The committee shall monitor compliance with this ORDER and, within 90 days from the effective date of this ORDER, and every 90 days thereafter, shall submit a written report detailing the Insured Institution's compliance with this ORDER to the board of directors, for review and consideration during its regularly scheduled meeting. The compliance report and any discussion related to the report or ORDER shall be incorporated into the minutes of the meeting of the board of directors. Nothing contained herein shall diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER. For the purposes of this ORDER, an "independent director" shall be an individual who:

(i) Is not employed in any capacity by the Insured Institution, any of its subsidiary or affiliated organizations, other than as a director;

(ii) Does not own or control more than five percent of the outstanding shares of the Insured Institution or its parent company; and

(iii) Is not related by blood or marriage to an officer or director of the Insured Institution or its affiliates, or to any shareholder owning more than five percent

of the outstanding shares of the Insured Institution or its parent company, and who does not otherwise share a common financial interest with such officer, director or shareholder.

MANAGEMENT

10. During the life of this ORDER, the Insured Institution shall notify the Regional Director and the Commissioner in writing of any resignations and/or terminations of any members of its board of directors and/or any of its senior officers within 15 days of the event. In addition, the Insured Institution shall notify the Regional Director and the Commissioner in writing when it proposes to add any individual to the Insured Institution's board of directors or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual(s) to be added or employed.

Strategic Plan

11. (a) Within 90 days after the effective date of this ORDER, the Insured Institution shall formulate and adopt a comprehensive business/strategic plan covering at least an operating period of three years. The plan required by this

paragraph shall contain an assessment of the Insured Institution'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 short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms, intermediate goals and project plans, and long-range goals and project plans. In addition, the plan shall address, at a minimum:

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

(ii) The anticipated average maturity and average yield on loans and securities, the average maturity and average cost of deposits, the level of earning assets as a percentage of total assets, and the ratio of net interest income to average earning assets;

(iii) The dollar volume of total loans, total investment securities, and total deposits;

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

(v) Goals for reducing problem loans;

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

functions;

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

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

(c) The Insured Institution shall submit the strategic plan to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement and follow the strategic plan.

VIOLATIONS

12. (a) Within 60 days from the effective date of this ORDER, the Insured Institution shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all violations of laws, rules, and regulations cited by the FDIC in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Insured Institution shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules and

regulations.

(b) Within 60 days from the effective date of this ORDER, the Insured Institution shall take steps necessary, consistent with sound banking practices, to eliminate and/or correct all contraventions of policy cited by the FDIC in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Insured Institution shall adopt and implement appropriate procedures to ensure future compliance with all applicable policies.

EXPENSE REIMBURSEMENT

13. (a) Within 60 days from the effective date of this ORDER, the Insured Institution shall revise its written policy covering reimbursement to its directors, officers, and employees for expenses. The policy shall specifically cover travel and entertainment expenses that are directly billed to the Insured Institution. At a minimum, the policy shall include provisions which:

(i) Identify the type and nature of fees and expenses for which the Insured Institution will provide reimbursement, including, but not limited to, expenses for customer entertainment and business development, and including dollar limitations based on the nature of each individual's position and duties, as well as the appropriateness of incurring

such expenses;

(ii) Identify the directors, officers, and employees authorized to incur expenses for which the Insured Institution will provide reimbursement;

(iii) Establish thresholds which, when exceeded, require the prior approval of designated Insured Institution officials (including senior officers, the Insured Institution's board of directors, or a designated committee thereof) along with procedures by which such approvals may be sought and considered;

(iv) Require complete documentation of all expenses prior to Insured Institution reimbursement, including the submission of original receipt(s), identification of the person(s) who incurred the expense and the person(s) for whom the funds were expended, and the business purpose of the expense; and

(v) Prohibit reimbursement of personal expenses of the Insured Institution's directors, officers, and employees.

(b) Within 60 days from the effective date of this Order, the Insured Institution shall submit the policy to the Regional Director and the Commissioner for review and comment. Within 30 days from the receipt of any comment from the Regional Director or the Commissioner, and after due consideration of any recommended changes, the Insured Institution shall approve the

policy, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Insured Institution shall implement and fully comply with the policy.

(c) While this ORDER is in effect, the Insured Institution's board of directors will perform monthly reviews of all expenses submitted for reimbursement by the Insured Institution's directors, officers, and employees, with the results noted in the minutes of the meeting of the board of directors. The Insured Institution will immediately seek reimbursement for any reimbursed expenses which are not in conformance with the policy established pursuant to this provision, or state, in the board of directors' minutes, the justification for deviation from the policy.

LIQUIDITY, FUNDS MANAGEMENT, INTEREST RATE RISK & SENSITIVITY

14. (a) Within 90 days from the effective date of this ORDER, the Insured Institution shall review its written funds management policies and plans, and amend each as necessary. The Insured Institution shall submit the policies and plans, and any future modifications, to the Regional Director and the Commissioner for review and comment. Within 30 days of receipt of all such comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution shall approve the revised policies and

plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement and fully comply with the policies and plans. Annually or more frequently thereafter, while this ORDER is in effect, the Insured Institution shall review this policy for adequacy and, based upon the above criteria, shall make necessary revisions to the policy. Quarterly or more frequently thereafter, while this ORDER is in effect, the Insured Institution shall review the plan for adequacy and, based upon the above criteria, shall make necessary revisions to the plan. The Insured Institution shall provide the Regional Director and the Commissioner with a copy of the Insured Institution's review of each quarterly report at the time it submits the Progress Reports required by paragraph 20 of this ORDER. At a minimum, the policies and plan shall:

(i) Provide for the establishment of an asset/liability committee and define its membership, responsibilities and authorities, minimum frequency of meetings, reporting from management, and reporting to the board;

(ii) Identify personnel responsible for the funds management functions within the Insured Institution;

(iii) Provide a statement of the Insured Institution's long-term and short-term liquidity needs and plans for insuring that such needs are met;

(iv) Provide for a periodic review of the Insured Institution's deposit structure, including the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;

(v) Establish target liquidity and dependency ratios and/or parameters;

(vi) Provide for a periodic calculation to measure the liquidity posture. Review performance with established liquidity ratio target. Review compliance with required legal reserves;

(vii) Provide for a periodic calculation to determine the extent to which the Insured Institution is funding long-term assets with short-term liabilities;

(viii) Establish parameters for use, volume, and maturities of brokered deposits, deposits obtained through solicitation services, and borrowings;

(ix) Establish limits for the Insured Institution's ratio of total loans to total assets; and

(x) Establish limits in short- and long-term borrowing by the Insured Institution.

(b) Further, the plan shall:

(i) Address coordination among the Insured Institution's loan, investment, operating, and budget and profit planning policies with the written funds management policy;

(ii) Provide a method of computing the Insured Institution's cost of funds;

(iii) Provide a method of loan pricing that considers cost of funds, overhead and administrative costs, and desired profits. Determine when to use fixed rates and when to use floating rates;

(iv) In conjunction with the Insured Institution's lending activities, determine which types of loans are permitted and desirable, the desired mix among different types of loans, the volume of loans compared to total deposits and total loans, upcoming loan maturities, and loan commitments outstanding;

(v) Review possible alternative sources of funds and address their use. Establish lines of credit and test accessibility on a periodic basis, but no less frequently than annually;

(vi) Provide for tax planning; and

(vii) Establish contingency plans by identifying alternative courses of action designed to meet the Insured Institution's liquidity needs.

VOLATILE LIABILITIES

15. (a) Upon the effective date of this ORDER, and so long as this ORDER is in effect, the Insured Institution shall give written notice to the Regional Director and the Commissioner at any time the Insured Institution plans to increase its use of volatile liabilities. For purposes of this ORDER, volatile liabilities include deposit funds solicited via a third-party rate service of any kind; brokered deposits, as that term is defined by section 337.6(a)(2) of the FDIC Rules and Regulations; and borrowings. The notification shall indicate how the funds are to be utilized, with specific reference to credit quality of investments/loans and the effect on the Insured Institution's funds position and asset/liability matching. The notification shall also be submitted to the Regional Director and the Commissioner no less than 60 days prior to the anticipated date of implementation. Within 30 days of receipt of any comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement and fully comply with the plan.

(b) Within 90 days from the effective date of this

ORDER, the Insured Institution shall develop and submit a written plan to the Regional Director and the Commissioner for systematically reducing and monitoring the Insured Institution's reliance on volatile liabilities. At a minimum, the plan shall include, timeframes for reductions of each volatile liability to a specific dollar amount; specific action plans for achieving those targets; and a schedule projecting on a quarterly basis the expected volume of volatile liabilities. Within 30 days of receipt of any comments from the Regional Director or the Commissioner, and after consideration of all such comments, the Insured Institution shall approve the written plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Insured Institution shall implement and fully comply with the plan.

BANK SECRECY ACT COMPLIANCE - BSA OFFICER

16. (a) Within 60 days from the effective date of this ORDER, the Insured Institution shall designate a qualified officer responsible for managing, coordinating, and monitoring the Insured Institution's Bank Secrecy Act ("BSA") and Office of Foreign Assets Control ("OFAC") compliance programs ("BSA Officer"). The BSA Officer shall have the responsibility and necessary authority to ensure the Insured Institution's compliance with the BSA and OFAC rules and regulations and

related matters, including, without limitation, the identification of timely, accurate, and complete reporting to law enforcement and supervisory authorities of unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Insured Institution.

(b) Within 120 days from the effective date of this ORDER, the BSA Officer shall review the Insured Institution's BSA and OFAC compliance program deficiencies and violations set forth in the Report of Examination.

BSA AND OFAC COMPLIANCE PROGRAM

17. (a) The Insured Institution's BSA and OFAC compliance programs shall ensure the Insured Institution's future compliance with the BSA and OFAC rules and regulations, section 326.8 and Part 353 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8 and 12 C.F.R. Part 353, and with any related rules and regulations. At a minimum, the compliance programs shall include the following:

(i) Procedures for the Insured Institution's customer identification program and account opening procedures;

(ii) Policies and procedures with respect to high-risk accounts and customers, including the adequacy of methods for identifying and conducting due diligence on high-risk accounts and customers at account opening and thereafter,

and for monitoring high-risk client relationships on a transaction basis as well as by account and customer;

(iii) Policies, procedures, and systems for identifying, evaluating, monitoring, investigating, and reporting suspicious activity, including transactions involving high-risk customers or accounts and/or high-risk jurisdictions, and the appropriateness of the Insured Institution's criteria for designating an account as high risk and assessing the Insured Institution's procedures and systems for identifying and monitoring customer transactions in accordance with rules and regulations of the BSA and OFAC;

(iv) Policies and procedures regarding the identification and reporting of cash transactions;

(v) Policies and procedures with respect to wire transfer recordkeeping requirements;

(vi) Policies and procedures for transactions involving non-customers, including, but not limited to, wire transfer services, traveler's check services, and foreign exchange services;

(vii) Independent annual testing for compliance with the BSA in accordance with the procedures described in section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8; and

(viii) Establishment and documentation of

training on a regular and on-going basis for management and Insured Institution personnel on all relevant aspects of laws, regulations, and Insured Institution policies and procedures relating to the BSA and OFAC compliance programs, with a specific concentration on the currency and monetary instruments reporting requirements and the reporting requirements associated with Suspicious Activity Reports, Currency Transaction Reports, and processing requirements of OFAC.

REPORTS OF CONDITION AND INCOME

18. (a) Within 10 days from the effective date of this ORDER, the Insured Institution shall review all Consolidated Reports of Condition and Income filed with the FDIC on and after December 31, 2006, and shall amend and file with the FDIC amended Consolidated Reports of Condition and Income, in accordance with the Reports of Condition and Income Instructions, which accurately reflect the financial condition of the Insured Institution as of the date of each such Report. Amended Reports of Condition and Income are to be filed if previously submitted reports contain significant errors as dictated by the Instructions for Preparation of Consolidated Reports of Condition and Income.

(b) In addition, and during the life of this ORDER, the Insured Institution shall file with the FDIC Consolidated

Reports of Condition and Income that accurately reflect the financial condition of the Insured Institution as of the reporting period. In particular, such Reports shall incorporate any adjustment in the Insured Institution's books made necessary or appropriate as a consequence of any State or FDIC examination of the Insured Institution during that reporting period, to include:

(i) Provision for loan losses and an allowance for loan and lease losses which are adequate considering the condition of the Insured Institution's loan portfolio;

(ii) The elimination from the Insured Institution's books of any asset in compliance with the provisions of this ORDER; and

(iii) Other restatements as detailed in the State or FDIC examination of the Insured Institution, or as required under this ORDER.

(c) Further, and during the life of this ORDER, the accuracy of the Reports of Condition and Income shall be attested to by at least two directors of the Insured Institution, other than the officer signing the officer declaration on the cover (signature) page. The Insured Institution remains responsible for the accuracy of the data in its Reports of Condition and Income.

DISCLOSURE

19. Following the effective date of this ORDER, the Insured Institution shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Insured Institution's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Insured Institution'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, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, 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.

PROGRESS REPORTS

20. (a) Within 30 days of the end of the first quarter following the effective date of this ORDER, and within 30 days of the end of each quarter thereafter, the Insured Institution shall furnish written progress reports to the Regional Director and the Commissioner detailing the form, manner, and results of

any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Insured Institution's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

(i) Description of the identified weaknesses and deficiencies;

(ii) Provision(s) of the ORDER pertaining to each weakness or deficiency;

(iii) Actions taken or in-process for addressing each deficiency;

(iv) Results of the corrective actions taken;

(v) The Insured Institution's status of compliance with each provision of the ORDER; and

(vi) Appropriate supporting documentation.

(b) Progress reports may be discontinued when the Regional Director and the Commissioner have, in writing, released the Insured Institution from making additional reports.

GENERAL PROVISIONS

This ORDER shall be effective upon its issuance by the FDIC.

The provisions of this ORDER shall be binding upon the Insured Institution, its institution-affiliated parties, and any successor and assigns thereof.

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, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated: July 12, 2007.

M. Anthony Lowe
Acting Regional Director
Dallas Region
Federal Deposit Insurance
Corporation