

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

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In the Matter of	)	ORDER TO CEASE AND DESIST
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NEXBANK, SSB	)	
DALLAS, TEXAS	)	FDIC-09-303b
	)	
	)	
(Insured State Savings Bank)	)	
	)	

NexBank, SSB, Dallas, Texas (“Bank”), through its board of directors, having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices 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”) and a representative of the Texas Department of Savings and Mortgage Lending (“State”) dated August 18, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST (“ORDER”) by the FDIC.

The FDIC and the State considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. 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, 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 more fully set forth in the joint FDIC and State Report of Examination dated March 9, 2009 :

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 an excessive level of adversely classified loans and investments.
3. Operating the Bank with an excessive level of delinquent and nonaccrual loans, and inadequate loan review program.
4. Creating concentrations of credit.
5. Operating with an inadequate allowance for loan and lease losses for the volume, type and quality of loans and leases held.
6. Operating the Bank with inadequate written loan policies and procedures.
7. Engaging in speculative or hazardous investment practices and operating with an inadequate investment policy.
8. Operating the Bank with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.
9. 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.
10. Operating the Bank with inadequate earnings to fund growth, support dividend

payments and augment capital.

11. Operating the Bank with a heavy reliance on short-term potentially volatile deposits as a source for funding longer-term investments, and operating with an inadequate funds management policy.

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

CAPITAL MAINTENANCE

1. (a) Within 60 days after the effective date of this ORDER and while this ORDER is in effect, the Bank, after establishing an Allowance for Loan and Lease Losses, shall maintain its Tier 1 Leverage Capital ratio equal to or greater than 9 percent of the Bank's Average Total Assets; shall maintain its Tier 1 Risk-Based Capital ratio equal to or greater than 12 percent of the Bank's Total Risk-Weighted Assets; and shall maintain its Total Risk-Based Capital ratio equal to or greater than 14 percent of the Bank's Total Risk Weighted Assets.

(b) If any such capital ratios are less than required by the ORDER, as determined as of the date of any Report of Condition and Income or at an examination or visitation by the FDIC or the State, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director of the FDIC's Dallas Region ("Regional Director") or the Commissioner of the Texas Department of Savings and Mortgage Lending ("Commissioner"), present to the Regional Director and the Commissioner a plan to increase the Bank's Tier 1 Capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Commissioner respond to the plan, the Bank's board of directors shall adopt the plan, including any

modifications or amendments requested by the Regional Director and the Commissioner.

(c) 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 by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within 30 days after the Regional Director and the Commissioner respond to the plan. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The sale of non-cumulative perpetual preferred stock; or
- (3) The direct contribution of cash subsequent to March 09, 2009, by the directors and/or shareholders of the Bank or by the Bank's holding company; or
- (4) Receipt of an income tax refund or the capitalization subsequent to March 09, 2009, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (5) Any other method approved by the Regional Director and the Commissioner or
- (6) Any combination of the above means.

(d) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities by the Bank,, 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, 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 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.

(e) 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.

(f) In addition, 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's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(g) 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's Rules and Regulations, 12 C.F.R. Part 325.

DIVIDEND RESTRICTION

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 the Commissioner.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

3. (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 by the FDIC or the State as a result of its examination of the Bank as of March 09, 2009. 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 of March 09, 2009. The plan shall address each asset so classified with a balance of \$1,000,000 or greater 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) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (2) Evaluate 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 a 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 from the Regional Director or from the Commissioner, shall be adopted by the Bank's board of directors, which approval shall be recorded in the minutes of the meeting of 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 March 9, 2009, shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

- (1) Charge-off;

- (2) Collection;
 - (3) Sufficient improvement in the quality of adversely classified assets, as defined by existing regulatory guidance, on loss classification as determined by the FDIC or the State; or
 - (4) Increase in the Bank's Tier 1 Capital.
- (e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future examination conducted by the FDIC or the State.

REDUCTION OF DELINQUENCIES

4. (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 for the reduction and collection of delinquent loans. Such plan shall include, but not be limited to, provisions which:

- (1) Prohibit the extension of credit for the payment of interest;
- (2) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;
- (3) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;
- (4) Establish dollar levels to which the Bank shall reduce delinquencies; and

- (5) 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:
 - (1) Charge-off; or
 - (2) Collect.
- (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 will be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

LOAN REVIEW PROGRAM

5. (a) Within 60 days after the effective date of this ORDER, the Bank's Board Audit Committee shall continue to act as a loan review committee and will periodically review the Bank's loan portfolio and identify and categorize problem credits. The Board Audit 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 Board Audit Committee shall be directors not employed in any capacity by the Bank other than as a director.

CONCENTRATIONS

6. (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 commercial real estate (the "Concentration Plan"), 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; and
- (iv) Procedures for monitoring the Bank's compliance with the Concentration Plan.

(b) Within 30 days of receipt of all such comments from the Regional Director and Commissioner, and after inclusion in the Concentration Plan 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.

ALLOWANCE FOR LOAN AND LEASE LOSSES

7. (a) Within 30 days after the effective date of this ORDER, the Bank shall make provisions to its Allowance for Loan and Lease Losses (“ALLL”) in an amount of at least \$2,200,000. 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 reasonable ALLL, as defined by existing regulatory guidance. 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 45 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, 2008, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL, as defined by existing regulatory guidance. 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 30 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.

LOAN POLICY

8. (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 the Commissioner for review and comment upon its completion.

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

- (1) Designating the Bank's normal trade area;
- (2) 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;

- (3) 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;
- (4) 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;
- (5) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;
- (6) Requiring a written plan to lessen the risk position in each line of credit identified by Bank management and/or the FDIC or State as a problem credit on the Bank’s internal loan watch list;
- (7) Prohibiting the capitalization of interest or loan-related expenses unless the Bank’s 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 Bank's board minutes;

- (8) Requiring a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;
- (9) Requiring accurate reporting of past due loans to the Bank's board of directors on at least a monthly basis;
- (10) 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;
- (11) Requiring guidelines and review of out-of-territory loans which, at a minimum, shall include complete credit documentation, approval by a majority of the Bank's 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;
- (12) 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;

- (13) 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 March 09, 2009, or by the FDIC or State 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;
- (14) 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 Report of Examination of the Bank by the FDIC or the State;
- (15) 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; and

(c) The Bank shall submit the foregoing policies to the Regional Director and the Commissioner for comment. After the Regional Director and the Commissioner has/have

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

INVESTMENT POLICY

9. (a) Within 60 days after the effective date of this ORDER, the Bank's board of directors shall revise the Bank's investment policy to provide effective guidelines and control over the Bank's investment portfolio. At a minimum the Bank's investment policy should address the following:

- (1) Develop procedures for securities risk analysis;
- (2) Identify position limits; and
- (3) Require performance review of investment portfolio;

(b) The policy should also be consistent with the Federal Financial Institutions Examination Council's instructions for Consolidated Reports of Condition and Income, generally accepted accounting principles, and the Bank's loan, liquidity, and asset/liability management policies.

(c) The Bank shall submit the policy to the Regional Director and the Commissioner for review. Within 60 days after their response, the policy, including any modifications or amendments requested by the Regional Director and the Commissioner, shall be adopted by the Bank's board of directors. The Bank shall immediately initiate measures detailed in the policy, as amended or modified, to the extent such measures have not been initiated. Any discussion of the policy, its modifications or amendments shall be stated in the Bank's board of directors' meeting minutes.

(d) The policy should be reviewed and updated annually.

BANK MANAGEMENT

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:

- (1) Comply with the requirements of the ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including improving the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and its sensitivity to market risk.

(b) Within 90 days after the effective date of this ORDER, the Bank shall provide to the Regional Director and Commissioner a written analysis and assessment of the Bank's management. The written analysis should include:

- (1) 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

- (2) 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 written analysis.
- (c) Within 30 days after the Regional Director and Commissioner have responded to the written analysis and assessment of Bank management, the Bank's board of directors shall adopt the management changes, and the approval shall be recorded in the minutes of the meeting of the board of directors.
- (d) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in management. The notification must include the name(s) and background(s) of any replacement personnel and must be provided 45 days prior to the individual(s) assuming the new position(s).

BOARD SUPERVISION

11. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrued, and recovered loans; investment activities; operating policies; and individual committee actions. The Bank's board of directors' minutes shall document the board's reviews and approvals, including the names of any dissenting directors.

BUDGET AND PROFIT PLAN

12. (a) Within 60 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010. The plan required by this paragraph shall contain formal goals and strategies, be consistent with sound banking practices, reduce discretionary expenses, improve the Bank's overall earnings and net interest income, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (1) An analysis of the Bank's pricing structure; and
- (2) A recommendation for reducing the Bank's cost of funds.

(c) Within 60 days after the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the written profit plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting when such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be submitted to the Regional Director and the Commissioner for review and comment within 60 days after the end of each year. Within 30 days after receipt of all such comments from the Regional Director and the Commissioner, and after adoption of any recommended changes by the Regional Director and the Commissioner, the

Bank shall approve the written profit plan and budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

LIQUIDITY/ASSET/LIABILITY MANAGEMENT

13. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner for review and comment a written plan addressing liquidity and asset/liability management, and the Bank's plan to reduce the dependence on volatile liabilities to include brokered deposits and FHLB borrowings. 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. The initial plan shall include, at a minimum, provisions:

- (1) Establishing a reasonable range for its net non-core funding dependence ratio as computed in the Uniform Bank Performance Report;
- (2) Identifying the source and use of borrowed and/or volatile funds;
- (3) Establishing lines of credit at correspondent banks, including the Federal Reserve Bank, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;
- (4) 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;

- (5) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;
- (6) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;
- (7) 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
- (8) 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 60 days after the receipt of all such comments from the Regional Director and the Commissioner, and after revising the plan as necessary to incorporate the comments from the Regional Director and the Commissioner, 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.

BOARD SUBCOMMITTEE

14. 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.

PROGRESS REPORTS

15. Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Commissioner have released, in writing, the Bank from making further reports.

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 19th day of August, 2009.

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