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¶10,068] **In the Matter of First Bank, Slidell, Louisiana, Docket No. FDIC-89-225b (4-27-90).**

Bank to cease and desist from practices such as engaging in hazardous lending and lax collection practices; operating with inadequate primary capital, with a large volume of poor quality loans, with management whose policies and practices are detrimental to Bank, with a Board of Directors which has failed to provide adequate supervision over and direction to the active management of Bank; and violating applicable laws. *(This order was terminated by order of the FDIC dated 6-30-92; see ¶ 15,473).*

- [.1] **Management—Qualifications—Compliance**
 - [.2] **Primary Capital—Increase—Methods**
 - [.3] **Assets—Adversely Classified—Reduce**
 - [.4] **Loans—Extensions of Credit—Curtail**
 - [.5] **Loan Policy—Minimum Requirements—Review**
 - [.6] **Violations of Law—Eliminate/Correct—Compliance**
 - [.7] **Shareholders—Dividends—Approval**
 - [.8] **Covered Transactions—Affiliates—Approval**
 - [.9] **Shareholders—Disclosure—Cease and Desist Order**
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- [.10] **Compliance—Progress Reports—Frequency**

In the Matter of

**FIRST BANK
SLIDELL, LOUISIANA
(Insured State Nonmember Bank)
ORDER TO CEASE AND DESIST**

The Federal Deposit Insurance Corporation ("FDIC"), on December 5, 1989, issued to First Bank, Slidell, Louisiana ("Bank"), a NOTICE OF CHARGES AND OF HEARING ("NOTICE"), pursuant to section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. §1818(b)(1), amended by section 902(a)(1) of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), Pub. L. No. 101-73 §902(a)(1), 103 Stat. 183, 450-51 (1989) (to be codified at 12 U.S.C. §1818(b)(1)). The NOTICE charges the Bank with having engaged in unsafe or unsound banking practices and violations of law and/or regulations.

The Bank and counsel for the FDIC thereafter executed a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT"), dated February 20, 1990, whereby, solely for the purpose of this proceeding and without admitting or denying the allegations in the NOTICE, 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 committed violations of law and/or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of affairs of the Bank, cease and desist from the following unsafe or unsound banking practices and violations:

- (a) engaging in hazardous lending and lax collection practices;
- (b) operating with inadequate primary capital;
- (c) operating with a large volume of poor quality loans;
- (d) operating in violation of section 23A of the Federal Reserve Act, 12 U.S.C. §371c, made applicable to state nonmember banks by section 18(j)(1) of the Act, 12 U.S.C. §1828(j)(1), amended by section 201 of FIRREA, Pub. L. NO. 101-73 §201, 103 Stat. 183, 187-88 (1989) (to be codified at 12 U.S.C. §1828(j)(1));
- (e) operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits; and
- (f) operating with a board of directors which has failed to provide adequate supervision over and

direction to the active management of the Bank.

IT IS FURTHER ORDERED that the Bank take affirmative action as follows:

[.1] 1. (a) During the life of this ORDER, the Bank shall have management qualified to restore the Bank to a sound condition. Such management shall include a chief executive officer and an experienced senior lending officer responsible for supervising the Bank's overall lending function.

(b) Present management shall be assessed on its ability to:

- (i) Comply with the requirements of this ORDER;
- (ii) Improve and thereafter maintain the Bank in a safe and sound condition, including asset quality, capital adequacy, liquidity adequacy, and earnings adequacy; and
- (iii) Comply with all applicable State and Federal laws and regulations.

(c)(i) During the life of this ORDER, the Bank shall notify the Regional Director of the Memphis Regional Office ("Regional Director") and the Commissioner of Financial Institutions for the State of Louisiana ("Commissioner") in writing of any resignations and/or terminations of any members of its board of directors and/or any of its senior executive officer(s).

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(ii) The Bank shall comply with section 914(a) of FIRREA, Pub. L. No. 101-73 §914(a), 103 Stat. 183, 484-85 (1989) (to be codified at 12 U.S.C. §1831(i)), which includes a requirement that the Bank shall notify the Regional Director and the Commissioner in writing of any additions to its board of directors and senior executive officers.

(d)(i) To ensure both compliance with this ORDER and qualified management for the Bank, the board of directors, within 60 days from the effective date of this ORDER shall develop a written policy ("Management Policy") which shall incorporate an analysis of the Bank's management and staffing requirements and shall, at a minimum address (1) both the number and type of positions needed to properly manage the Bank, (2) a clear and concise description of the needed experience and pay for each job, (3) an evaluation of present management, (4) a plan to recruit, hire or replace personnel with requisite ability and experience, (5) a periodic evaluation of each individual's job performance, and (6) the establishment of procedures to periodically review and update the Management Policy.

(ii) The Management Policy and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. Within 30 days from receipt of any comment, and after consideration of such comment, the board of directors shall approve the Management Policy which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management Policy and any modifications thereto.

(e) Within 30 days from the effective date of this ORDER, the board of directors shall establish a committee of the board of directors with the responsibility to ensure that the Bank complies with the provisions of this ORDER. At least two-thirds of the members of such committee shall be independent, outside directors as defined herein. The committee shall report monthly to the entire board of directors, and a copy of the report and any discussion relating to the report or the ORDER shall be included in the minutes 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.

(f) For the purposes of this ORDER, an "outside director" shall be an individual:

- (i) Who shall not be employed, in any capacity, by the Bank or its affiliates other than as a director of the Bank or an affiliate;
- (ii) Who shall not own or control more than 5 percent of the voting stock of the Bank or its holding company;
- (iii) Who shall not be indebted to the Bank or any of its affiliates in an amount greater than 5 percent of the Bank's primary capital;
- (iv) Who shall not be related to any directors, principal shareholders of the Bank or affiliate of the Bank; and
- (v) Who shall be a resident of, or engage in business in, the Bank's trade area.

[.2] 2. (a) Within 180 days from the effective date of this ORDER, the Bank shall achieve and thereafter maintain during the life of this ORDER adjusted primary capital equal to or greater than seven and one-half (7.5) percent of the Bank's adjusted Part 325 total assets.

(b) Any increase in primary capital necessary to meet the requirements of Paragraph 2(a) of this

ORDER may be accomplished by the following:

- (i) The sale of new securities in the form of common stock; or
- (ii) The direct contribution of cash by the directors, shareholders, or parent bank holding company of the Bank; or
- (iii) The collection in cash of assets classified "Loss" without loss or liability to the Bank; or
- (iv) The collection of assets previously charged-off; or
- (v) Any other method acceptable to the FDIC.

(c) If all or part of the increase in primary capital required by Paragraph 2(a) of this ORDER is accomplished by the sale of new securities, the board of directors of the Bank 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 Bank's securities (including a distribution limited only to the Bank's existing share- ~~{{4-1-90 p.C-341}}~~holders), 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 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 FDIC, Registration and Disclosure Unit, Washington, D.C. 20429. Any changes requested to be made in the plan or materials by the FDIC shall be made prior to their dissemination.

(d) In complying with the provisions of Paragraph 2 of this ORDER, 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 changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 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 Bank's securities who received or was tendered the information contained in the Bank's original offering materials.

(e) For purposes of this ORDER the terms "primary capital", "total capital" and "Part 325 total assets" shall have the meanings ascribed to them in part 325 of the FDIC's Rules and Regulations, respectively, subsections 325.2(h), 325.2(l) and 325.2(k), 12 C.F.R. 325.2(h), (l), (k). The "Analysis of Capital" schedule on page 3 of the FDIC Report of Examination provides the method for determining the ratio of adjusted primary capital to adjusted Part 325 total assets as required by this ORDER.

[.3] 3. (a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets classified "Loss" as of August 11, 1989, that have not been previously collected or charged-off. Reduction of these assets through proceeds of other loans made by the Bank is not considered collection for the purpose of this paragraph.

(b) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and approval a written plan of action directed at lessening the Bank's risk position in each line of credit or other asset which was classified "Substandard" as of August 11, 1989, and which aggregated \$50,000 or more. Such plan shall include but not be limited to, the following:

- (i) Target dollar levels to which the Bank will reduce each line of credit or other asset within three months, six months, and twelve months from the effective date of this ORDER; and
- (ii) Provisions for the submissions of monthly written progress reports under this Paragraph 4 to the Bank's board of directors for review and recordation in the board minutes.

(d) As used in Paragraph 3 the word "reduce" means (1) to collect, (2) to charge-off, or (3) to sufficiently improve the quality of assets adversely classified to warrant removing any adverse classification, as determined by the FDIC.

[.4] 4. (a) Beginning with the effective date of this ORDER, the Bank shall not make any further extension of credit to any borrower whose loans are charged-off, in whole or in part, or are adversely classified "Loss" or "Doubtful" as of August 11, 1989, and remain uncollected.

(b) Beginning with the effective date of this ORDER, the Bank shall not make any further extension of credit to any borrower thereof whose loans in the aggregate exceed \$50,000 and are adversely classified "Substandard" as of August 11, 1989, unless such extension has been approved by a majority of the Bank's board of directors in advance and the Bank's board of directors has detailed in the written minutes of the meeting how it has affirmatively determined all of the following: (i) that the extension of credit is in

full compliance with the Bank's loan policy, (ii) that it is necessary to protect the Bank's interest or that the extension of credit is adequately secured, (iii) that based upon credit analysis the customer is deemed to be creditworthy, and (iv) that all necessary loan documentation is on file, including current financial and cash flow information and satisfactory appraisal, title, and lien documents. The minutes shall [{{4-1-90 p.C-342}}](#) also include the following information about the extension of credit: (i) the amount adversely classified as of August 11, 1989, (ii) the current balance, (iii) the amount of credit requested, (iv) a description of the collateral and its value securing the credit, and (v) a full description of the documentation presented to the board of directors including the date of the borrower's most recent financial information and the borrower's current income or cash flow data.

(c) Beginning with the effective date of this ORDER, the Bank shall not renew any loan without the full collection of interest due. The issuance of separate notes, to the borrowing customer or a third party, the proceeds of which pay interest due, shall not satisfy the requirements of this paragraph unless these separate notes receive prior board approval in the same manner as outlined in Paragraph 4(b).

[.5] 5. Within 60 days from the effective date of this ORDER, the Bank shall review its written loan policy and make whatever changes may be necessary to provide for the safe and sound administration of all aspects of the lending function. Proper and adequate loan documentation or evidence thereof as is required by sound banking practices before disbursement of the loan proceeds to borrowers or before renewal or extensions of existing loans shall be part of the review. Evidence of the review and establishment of procedures to ensure compliance with the loan policy shall be reduced to writing. The policy and its implementation shall be in a form and manner acceptable to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

[.6] 6. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law which are set out on page 6-b of the Report of Examination of the Bank as of August 11, 1989. In addition, the Bank shall hence-forth comply with all applicable laws and regulations.

[.7] 7. While this ORDER is in effect, the Bank shall not declare or pay any cash dividends on its capital stock without the prior written approval of the Regional Director and the Commissioner.

[.8] 8. (a) Beginning with the effective date of this ORDER, the Bank shall not engage in any covered transaction with an affiliate without the prior approval of the Bank's board of directors after the board's affirmative determination, as reflected in the minutes of the meeting, that the covered transaction is in compliance with the provisions of sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§371c and 371c-1, and that the covered transaction is consistent with safe and sound banking practices.

(b) For purposes of Paragraph 8, the terms "affiliate" and "covered transaction" shall have the meaning ascribed to them in section 23A of the Federal Reserve Act, 12 U.S.C. §371c.

[.9] 9. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and also (ii) 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, Registration and Disclosure Unit, 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.

[.10] 10. On the fifteenth day of the second month following the effective date of this ORDER, and on the fifteenth day of every third month thereafter, 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 may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director has released the Bank in writing from making further reports.

The provisions of this ORDER shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the conduct of the affairs of the Bank.

This ORDER shall become effective 10 days from the date of its issuance.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any [{{11-30-92 p.C-343}}](#) provisions of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated: April 27, 1990

