

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

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In the Matter of)	NOTICE OF ASSESSMENT OF
)	CIVIL MONEY PENALTIES,
G. Harrison Scott, Johnny C. Crow,)	FINDINGS OF FACT AND
and Sharry R. Scott, individually,)	CONCLUSIONS OF LAW,
and as institution-affiliated)	ORDER TO PAY, AND
parties of)	NOTICE OF HEARING
)	
BANK OF LOUISIANA)	FDIC-12-276k
NEW ORLEANS, LOUISIANA)	FDIC-12-277k
)	FDIC-12-278k
(INSURED STATE NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation ("FDIC") has determined that G. Harrison Scott ("Harrison Scott"), Johnny C. Crow ("Crow"), and Sharry R. Scott ("Sharry Scott"), (collectively "Respondents"), as institution-affiliated parties of Bank of Louisiana, New Orleans, Louisiana ("Bank"), have violated laws and/or regulations. The FDIC, therefore, institutes this proceeding for the assessment of civil money penalties pursuant to the provisions of section 8(i)(2)(A) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(i)(2)(A).

The FDIC hereby issues this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTIES, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, and NOTICE OF HEARING ("NOTICE OF ASSESSMENT") pursuant

to section 8(i) of the Act, 12 U.S.C. § 1818(i), and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308, and alleges as follows:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

I. Preliminary Allegations

1. At all times pertinent to this proceeding, the Bank was a corporation existing and doing business under the laws of the State of Louisiana, having its principal place of business at New Orleans, Louisiana.

2. At all times pertinent to this proceeding, the Bank was an insured State nonmember bank, as defined in section 3(e) of the Act, 12 U.S.C. § 1813(e), and, as such, was and is subject to the Act, 12 U.S.C. §§ 1811-1831y, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Louisiana.

3. Harrison Scott joined the Bank in 1958, was at that time elected as the Bank's Chairman of the Board, and has served in that capacity continuously since 1958. In 2005, Harrison Scott was hired as the Bank's President and has served in that capacity continuously since 2005.

4. Sharry Scott was elected to the Bank's board of

directors on May 10, 2005. At all times pertinent to this proceeding, she served as a Bank director.

5. Crow was also elected to the Bank's board of directors on May 10, 2005. At all times pertinent to this proceeding, he served as a Bank director.

6. At all times pertinent to this proceeding, each Respondent was an "institution-affiliated party" as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and for purposes of sections 8(i) of the Act, 12 U.S.C. § 1818(i).

7. The FDIC has jurisdiction over the Bank, the Respondents, and the subject matter of this proceeding pursuant to section 3(q)(3) of the Act, 12 U.S.C. § 1813(q)(3).

8. At all times pertinent to this proceeding, the Bank has been subject to section 22(h) of the Federal Reserve Act, as amended, 12 U.S.C. § 375b, and Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215 ("Regulation O"). Regulation O applies to insured State nonmember banks by virtue of section 18(j)(2) of the Act, 12 U.S.C. § 1828(j)(2), and Part 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3.

9. At all times pertinent to this proceeding, each Respondent was a "director" of the Bank, as that term is defined

by section 215.2(d)(1) of Regulation O, 12 C.F.R. § 215.2(d)(1), and an "insider" of the Bank, as that term is defined by section 215.2(h) of Regulation O, 12 C.F.R. § 215.2(h)..

10. At all times pertinent to this proceeding, Harrison Scott was also an "executive officer" of the Bank, as that term is defined by section 215.2(e)(1) of Regulation O, 12 C.F.R. § 215.2(e)(1).

11. At all times pertinent to this proceeding, Respondents were members of the Bank's Executive Committee.

II. Prior Regulation O Violations

12. The FDIC and the Louisiana Office of Financial Institutions ("LOFI") conducted a joint examination of the Bank on June 26, 2006 ("2006 Examination").

13. The 2006 Examination concluded that Respondents violated and caused the Bank to violate Section 215.4(e)(1) of Regulation O because (i) the Bank paid overdrafts for a now former Bank director (referred to hereafter as "Director K") without a written, preauthorized fund transfer agreement; (ii) the overdrafts were for more than \$1,000; (iii) in several instances the overdrafts were outstanding for more than five business days; and (iv) the Bank did not charge the former

director the Bank's customary service fee, all as required by Section 215.4(e) (1) and (2) of Regulation O, 12 C.F.R. § 215.4(e) (1) and (2).

14. On September 22, 2006, the Regional Director of the FDIC's Dallas Regional Office sent a letter to Respondents informing them that the cited violations were of serious concern to the FDIC but that further consideration of a civil money penalty would not be pursued at that time provided the Bank's board of directors adopted policies and procedures to ensure compliance with all laws and regulations.

15. The FDIC's September 22, 2006, letter further informed Respondents that if they failed to take the steps necessary to prevent a recurrence of this type of violation, the FDIC's Dallas Regional Office would reconsider the recommendation of a civil money penalty or other appropriate action for any repeat violations.

III. The 2010 Bank Examination

16. The FDIC and the LOFI conducted a joint examination of the Bank commencing on October 26, 2010 ("2010 Examination").

17. The 2010 Examination discovered four violations of Section 215.4(a) (ii) of Regulation O, which prohibits extensions

of credit to a director that involve more than the normal risk of repayment or present other unfavorable features, in relation to certain extensions of credit to Director K.

18. The first violation related to a \$75,000 loan made to Director K on October 21, 2009 ("75,000 Loan").

19. The stated purpose of the loan was for working capital and to allow Director K to bring current his other obligations at the Bank.

20. In support of his request, Director K sent Respondents a letter dated October 19, 2009, acknowledging cash flow problems.

21. In his memo to the board dated October 20, 2009, Respondent Harrison Scott noted that Director K had trouble making his existing loan payments as agreed.

22. An October 2009 credit report for Director K indicated that he was 120 days past due, with over \$42,000 in arrears, with another financial institution.

23. Director K's payment history with the Bank was erratic, including a check for a September 2009 loan payment that had been returned to the Bank marked "insufficient funds" ("NSF").

24. Respondents approved the \$75,000 Loan to Director K on

October 20, 2009.

25. Three other Regulation O violations cited during the 2010 Examination related to Director K's request to renew three loans totaling approximately \$489,000 ("Renewals").

26. As of July 30, 2010, the Bank's files lacked documentation to support improvement in Director K's financial position.

27. As of July 30, 2010, the Bank's files lacked documentation sufficient to support the valuation of the collateral taken as security for the Renewals.

28. As of July 30, 2010, Director K had made 14 loan payments to the Bank by means of checks drawn on another institution which were subsequently returned NSF.

29. Respondents approved the Renewals on July 30, 2010.

IV. The 2011 Examination

30. The FDIC and the LOFI conducted a joint examination of the Bank commencing on November 14, 2011 ("2011 Examination").

31. The 2011 Examination uncovered new Regulation O violations in addition to violations of Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3 (Section 337.3).

32. Respondents allowed or caused the Bank to allow one of

its executive officers (referred to hereafter as "Executive Officer P") to overdraw his checking account on 12 different occasions.

33. The Bank did not charge Executive Officer P any overdraft fees, in violation of 12 C.F.R. § 215.4(e) (2) (ii).

34. Respondents approved Executive Officer P's home loan that was secured by a second mortgage, not a first mortgage as required by section 215.5(c) (2) of Regulation O.

35. As a result of the section 215.5(c) (2) violation, Respondents also violated section 337.3(c) (2) of the FDIC's Rules and Regulations because the home loan to Executive Officer P was then categorized as an other-purpose loan that exceeded the \$100,000 other-purpose limit dictated by section 337.3(c) (2).

36. By reason of the allegations contained in paragraphs 12 through 35 above, Respondents violated laws or regulations within the meaning of section 8(i) (2) (A) (i) of the Act, 12 U.S.C. § 1818(i) (2) (A) (i).

ORDER TO PAY

37. By reason of Respondents' violations of laws or regulations as set forth in the NOTICE OF ASSESSMENT, the FDIC

has concluded that a civil money penalty should be assessed against Respondents pursuant to section 8(i)(2)(A)(1) of the Act, 12 U.S.C. § 1818(i)(2)(A)(i). After taking into account the appropriateness of the penalties with respect to the size of Respondents' financial resources and good faith, the gravity of the violations, the history of previous violations, and other matters as justice may require, it is:

ORDERED, that by reasons of violations of laws and regulations, a penalty be and hereby is assessed against each Respondent pursuant to section 8(i)(2)(A) of the Act, 12 U.S.C. § 1818(i)(2)(A) in the amount of \$10,000.00 each, and

FURTHER ORDERED, that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of receipt of the NOTICE OF ASSESSMENT by Respondents, during which time Respondents may file an answer and request a hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19. **IF ANY RESPONDENT FAILS TO FILE A REQUEST FOR A HEARING WITHIN 20 DAYS OF THE SERVICE OF THE NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, THE PENALTY ASSESSED AGAINST THE NON-REQUESTING RESPONDENT(S) PURSUANT TO THE ORDER TO PAY WILL BE FINAL AND SHALL BE PAID**

WITHIN 60 DAYS AFTER THE NOTICE OF ASSESSMENT OF CIVIL MONEY
PENALTY WAS SERVED ON THE NON-REQUESTING RESPONDENT(S).

OPPORTUNITY FOR HEARING

38. If any Respondent requests a hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC's Rules of Practice and Procedure, 12 C.F.R. § 308.19, notice is hereby given that a hearing shall commence at such place and on such date as the parties to this action and the Administrative Law Judge appointed to hear this matter may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether the ORDER TO PAY should be made final.

39. The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, the Administrative Procedure Act, 5 U.S.C. §§ 551-559, and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge appointed by the Office of Financial Institution Adjudication pursuant to 5 U.S.C. § 3105.

40. An original and one copy of all papers filed in this proceeding shall be served upon the Office of Financial

Institution Adjudication, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, Virginia, 22226-3500 pursuant to 12 C.F.R. § 308.10. Copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W. (Room NYA-5070), Washington, D.C. 20429-0002; A. T. Dill, III, Assistant General Counsel, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Room MB-3020, Washington, D.C. 20429-0002; and upon Stephen C. Zachary, Regional Counsel (Supervision), Federal Deposit Insurance Corporation, 6060 Primacy Parkway, Suite 300, Memphis, Tennessee 38119-5745.

41. Pursuant to 12 C.F.R. § 308.10(b)(4), all documents required to be filed, excluding documents produced in response to a discovery request pursuant to 12 C.F.R. § 308.25 and 308.26, shall be filed electronically with OFIA. Respondents are hereby directed to file any answer electronically with OFIA at ofia@fdic.gov. Failure to answer within the 20-day time period shall constitute a waiver of the right to appear and contest the allegations contained in this NOTICE and shall, upon the FDIC's motion, cause the Administrative Law Judge or the FDIC to find the facts in this NOTICE to be as alleged and to issue appropriate ORDERS TO PAY.

PRAYER FOR RELIEF

42. The FDIC prays for relief in the form of a final Order to Pay Civil Money Penalty pursuant to 12 U.S.C. § 1818(i) in the amount of \$10,000 against each Respondent.

Pursuant to delegated authority.

Dated at Washington, D.C., this 22nd day of October, 2013.

/s/

Christopher J. Newbury
Associate Director
Division of Risk Management
Supervision