

**#2001-108**

**AGREEMENT BY AND BETWEEN  
FIRST NATIONAL BANK OF LITTLEFIELD  
LITTLEFIELD, TEXAS  
AND  
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

First National Bank of Littlefield, Littlefield, Texas (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his/her National Bank Examiner, has examined the Bank, and his/her findings are contained in the Report of Examination, dated July 2, 2001 (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his/her authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

This Agreement terminates and supercedes the Formal Agreement entered into between the Comptroller and the Bank as of December 14, 1998.

**ARTICLE I**

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a "final order" within the meaning of 12 U.S.C. § 1818(u).

## ARTICLE II

(5) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank. The program shall include, but not be limited to:

- (a) Procedures to ensure satisfactory and perfected collateral documentation;
- (b) Procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (c) A system to track and analyze credit and collateral documentation exceptions;
- (d) Procedures to identify the primary and secondary sources of repayment commensurate with the type and purpose of the loan; and
- (e) Procedures to analyze the cash flow and profitability of each agricultural borrower including:
  - (i) Documentation of assumptions used in the cash flow analysis, including product prices, anticipated expenses, and production levels;
  - (ii) Analysis of the borrower's ability to retire operating loans and to meet established repayment terms on other loans; and

(iii) Determination of the period of time necessary to retire carry over debt, and the extent of reliance on liquidation of capital assets.

(6) Upon completion, the Board shall submit a copy of the program to the Assistant Deputy Comptroller.

(7) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the Assistant Deputy Comptroller.

(8) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

### ARTICLE III

(9) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(10) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

(a) An identification of the expected sources of repayment;

(b) The appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

(c) An analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

(d) The proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(11) Upon adoption, a copy of the program for all criticized assets equal to or exceeding fifty thousand dollars (\$50,000) shall be forwarded to the Assistant Deputy Comptroller.

(12) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

(a) The status of each criticized asset or criticized portion thereof that equals or exceeds fifty thousand dollars (\$50,000);

(b) Management's adherence to the program adopted pursuant to this Article;

(c) The status and effectiveness of the written program; and

(d) The need to revise the program or take alternative action.

(13) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis in a format similar to Appendix A attached hereto.

(14) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed fifty thousand dollars

(\$50,000) only if each of the following conditions is met:

(a) The Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) A comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(15) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

(16) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

#### ARTICLE IV

(17) The Bank shall achieve by June 30, 2002, and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

(a) Tier 1 capital at least equal to fifteen percent (15%) of risk-weighted assets;

(b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets<sup>1</sup>

(18) The Board shall ensure that the capital plan remains reasonable and is revised to reflect changes in the Bank's condition.

(19) The bank may declare a dividend only:

- (a) When the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
- (b) With the prior written approval of the Assistant Deputy Comptroller.

(20) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

#### ARTICLE V

(21) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) Identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) Realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) A budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) A description of the operating assumptions that form the basis for major projected income and expense components.

(22) The budgets and related documents required in paragraph (21) above for 2002 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall

submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (21) above for each year this Agreement remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(23) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

(24) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

#### ARTICLE VI

(25) The Board shall submit quarterly progress reports to:

Assistant Deputy Comptroller

Lubbock Field Office

5225 South Loop 289, Suite 108

Lubbock, Texas 79424

(26) These reports shall set forth in detail:

(a) Actions taken to comply with each Article of the Agreement;

(b) Results of those actions; and

(c) A description of the actions needed to achieve full compliance with each

Article of this Agreement.

(27) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the Report of Examination or in any future Report of Examination.

(28) The first progress report shall be submitted for the period ending \_\_\_\_\_ and will be due within thirty (30) days of that date. Thereafter, progress reports will be due within thirty (30) days after the quarter end.

## ARTICLE VII

(29) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(30) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(31) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(32) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.



IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his/her hand on behalf of the Comptroller.

Signed

12/19/01

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Debra A. Garland  
Assistant Deputy Comptroller  
Lubbock Field Office

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Date

**IN TESTIMONY WHEREOF**, the undersigned, as the duly elected and acting Board of the First National Bank of Littlefield, Littlefield, Texas, have hereunto set their hands on behalf of the Bank.

Signed	12-19-01
_____ Paula Bell	_____ Date
Signed	December 19, 2001
_____ James T. Lee	_____ Date
Signed	12/19/01
_____ Jay H. Lee	_____ Date
Signed	12-19-2001
_____ Patsy Rue Lee	_____ Date
Signed	12-19-2001
_____ Calvin Price	_____ Date

**APPENDIX A**  
**FIRST NATIONAL BANK OF LITTLEFIELD**  
**LITTLEFIELD, TEXAS**  
**CRITICIZED ASSET REPORT AS OF:**

BORROWER(S):

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$        CRITICISM

AMOUNT CHARGED OFF TO DATE

FUTURE POTENTIAL CHARGE-OFF

STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds twenty five thousand dollars (\$25,000) and retain the original in the credit file for review by the examiners. Submit your reports quarterly until notified otherwise, in writing, by the Assistant Deputy Comptroller.