

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Texas First National Bank)
Houston, Texas)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (Comptroller), through his National Bank Examiner, has examined Texas First National Bank, Houston, Texas (Bank), and his findings are contained in the Report of Examination, dated January 7, 2002 (ROE).

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated July 17, 2002, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Bank has consented to the issuance of this Consent Order (Order) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days, the Board shall appoint a Compliance Committee of at least five (5) directors, of which no more than two (2) shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller for Bank Supervision. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within sixty (60) days of the appointment of the Committee and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement; and
- (b) the results of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the;

Assistant Deputy Comptroller for Bank Supervision
Houston Field Office
1301 McKinney, Suite 3750
Houston, Texas 77010

ARTICLE II

MANAGEMENT AND BOARD SUPERVISION

(1) Within ninety (90) days the Board shall employ an independent outside management consultant. Prior to employment of the consultant, the name and the qualifications of the consultant considered for employment shall be submitted to the Assistant Deputy Comptroller for Bank Supervision, who shall have the power of veto over the employment of the proposed consultant. However, failure to exercise such veto power shall not constitute approval or endorsement of the consultant.

(2) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

(3) Within one hundred fifty (150) days, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report to the Board. At a minimum, the report shall contain:

- (a) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the lending and investment areas;
- (b) an evaluation of each officer's qualifications and abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his/her officer position;
- (c) a determination of whether the Board has vested sufficient authority in the individual officers to fulfill their assigned responsibilities;
- (d) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
- (e) objectives by which management's effectiveness will be measured;
- (f) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
- (g) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;
- (h) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
- (i) an evaluation of the extent of responsibility of current management and/or the Board for present weaknesses in the Bank's condition; and
- (j) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(4) Within sixty (60) days of completion of this study, the Board shall develop, implement, and thereafter ensure Bank adherence to a written action plan, with specific time frames, that will correct any deficiencies which are noted in the study.

(5) Copies of the Board's written plan and the Consultant's study shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision. The Assistant Deputy Comptroller for Bank Supervision shall retain the right to determine the adequacy of the report and its compliance with the terms of this Agreement. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Assistant Deputy Comptroller for Bank Supervision, in writing, of specific reasons for deviating from the plan.

(6) Within sixty (60) days of completion of the study, the Board shall develop and approve a personnel policy and staffing plan, consistent with the goals and objectives established in the Bank's strategic plan, that:

- (a) complies with all recommendations included in the consultants study; and
- (b) vests each vice president and above with sufficient authority to fulfill their assigned duties and responsibilities.

(7) If a position of senior vice president or above is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a senior vice president or above position becomes vacant, the Board shall within 90 days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(8) Prior to the appointment of any individual to an executive officer position, the Board shall submit appropriate applications in accordance with FIRREA Section 914. You must use notice forms and fingerprint cards from this Office when you file a notice.

ARTICLE III

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by July 31, 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.¹

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) contingency plans that identify alternative methods should the primary source(s) under (c) above not be available; and
- (e) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets. As further noted in 12 C.F.R. § 3.2(a), a bank may be required to compute and maintain its leverage ratio on the basis of actual, rather than average total assets. This language would have to be modified to reflect that change.

- (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
- (iii) with the prior determination of no supervisory objection by the Assistant Deputy Comptroller for Bank Supervision.

(4) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for Bank Supervision for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller for Bank Supervision, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller for Bank Supervision.

(5) 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

CALL REPORTS - REFILE AND REPUBLISH

(1) Within thirty (30) days, the Board shall cause the Bank to refile and republish amended Reports of Condition and Income for the periods ending September 30, 2001 and December 31, 2001, reflecting recognition of appropriate loan losses, required adjustments to the Allowance for Loan and Lease Losses, and proper accounting for the Bank's tax deferred asset.

(2) Within sixty (60) days, the Board shall adopt and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

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

ARTICLE V

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) a description of acceptable types of loans;
- (b) a provision that current and satisfactory credit information will be obtained on each borrower;
- (c) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (d) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (e) a limitation on aggregate outstanding loans in relation to other balance sheet accounts;
- (f) guidelines and limitations on concentrations of credit;
- (g) guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;
- (h) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;
- (i) criteria and procedures for placing loans on a nonaccrual of interest status;
- (j) charge-off guidelines, by type of loan or other asset, including Other Real Estate Owned, addressing the circumstances under which a charge-off would be appropriate and ensuring the timely recognition of losses; and

- (k) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(2) 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 and improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure satisfactory and perfected collateral documentation;
- (b) procedures to strengthen credit underwriting, particularly in the analysis of complete and reliable credit information (e.g. operating cash flow statements, financial trend analyses, federal tax information, etc);
- (c) 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;
- (d) a system to track and analyze exceptions;
- (e) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters;
- (f) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios; and
- (g) procedures to strengthen management of loan operations and to maintain an adequate, qualified staff in all lending functional areas.

(3) The Board shall submit a copy of the program to the Assistant Deputy Comptroller for Bank Supervision.

ARTICLE VI

CREDIT CONCENTRATIONS

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program. The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit; and
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) The Board shall submit a copy of the program to the Assistant Deputy Comptroller for Bank Supervision.

(3) 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 for Bank Supervision.

ARTICLE VII

LOAN UNDERWRITING

(1) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring reasonable repayment terms to coincide with the use of funds, the expected source of repayment, and the collateral pledged;

- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.
 - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE VIII

CRITICIZED ASSETS

(1) 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.

(2) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases;
- (b) the supervision and control of nonaccrual loans consistent with the accounting requirements contained in the Call Report Instructions, address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured, and require the

monthly presentation to the Board of all loans meeting any of the nonaccrual criteria; and

- (c) auditing of accrued interest on loans, at a minimum including quarterly audits of loan accruals and incorporate procedures for periodically testing the Bank's identification of nonaccrual loans as governed by policy.

(3) Beginning September 30, 2002, on a monthly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) the identification of loans in a nonaccrual of interest status;
- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (e) of this Article and Paragraph;
- (g) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (h) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (i) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(4) 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 equal to or exceeding one hundred thousand dollars (\$100,000), which were 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.

(5) Upon adoption, a copy of the program for all criticized assets equal to or exceeding two hundred fifty thousand dollars (\$250,000) shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision.

(6) 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.

(7) 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 two hundred fifty thousand dollars (\$250,000);
- (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.

(8) A copy of each review shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision on a quarterly basis.

(9) 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 (\$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.

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

ARTICLE IX

LOAN WORKOUT DEPARTMENT

(1) Within one hundred twenty (120) days, the Board shall establish a Loan Workout Department for the purpose of restoring and reclaiming classified assets, and develop procedures for:

- (a) strengthening collection efforts;
- (b) reducing delinquent loans;
- (c) reducing loan losses;
- (d) improving recovery of charged-off assets; and
- (e) identifying/analyzing sources and root causes of loan losses.

(2) Within one hundred twenty (120) days, the Board shall identify and employ an individual with demonstrated experience and skills in managing a bank workout program to manage the Loan Workout Department. This individual shall report directly to the Chief Operating Officer of the Bank and shall be independent of the Bank's credit origination function.

(3) The qualifications of any loan workout specialist considered for employment in this position shall be submitted to the Assistant Deputy Comptroller for Bank Supervision, who shall have the power of veto over any proposed individual. However, failure to exercise such veto power shall not constitute approval or endorsement of the individual employed.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

(5) The Loan Workout Department shall take all steps necessary to improve the operation of the Bank's workout function including, but not limited to:

- (a) the establishment of policies and procedures to distinguish assets that should be managed by the Loan Workout Department from assets that should be managed by the originating unit;
- (b) the establishment of policies and procedures to require assets that remain with the originating unit to be managed according to the standards of the Loan Workout Department;
- (c) the development and implementation of management information systems to track workloads and staffing requirements within the Loan Workout Department; and
- (d) the development and implementation of management information systems to measure the success of workout activities.

(6) The Board shall ensure that the Loan Workout Department receives staffing and funding support necessary to maintain its sound operation.

ARTICLE X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within ninety (90) days, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses booklet, A-ALLL, of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans;
- (f) concentrations of credit in the Bank; and
- (g) present and prospective economic conditions.

(2) The program shall ensure the Allowance is adequate on an ongoing basis, and provide for a review of the Allowance by the Board monthly. Any deficiency in the Allowance shall be remedied upon discovery and prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) 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.

(4) Upon adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision for review and determination of no supervisory objection. However, failure to exercise supervisory objection shall not constitute approval of the overall program or a determination of account adequacy.

ARTICLE XI

ASSET/LIABILITY MANAGEMENT POLICY

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written liquidity, asset and liability management, and interest rate risk policy. The policy shall provide for a coordinated asset/liability management and interest rate risk strategies. At a minimum the policy must address:

- (a) the establishment of adequate management reports on which to base sound interest rate risk management decisions and to monitor the Bank's liquidity position and maintain liquidity at an adequate level;
- (b) establishment and guidance of the Bank's strategic direction and tolerance for interest rate risk;
- (c) implementation of effective tools to measure and monitor the Bank's performance and overall interest rate risk profile;
- (d) employment of competent personnel to manage interest rate risk;
- (e) prudent limits on the nature and amount of interest rate risk that can be taken;
- (f) enhance audit coverage and controls over interest rate risk model assumptions and input;
- (g) the liquidity, maturity and pledging requirements of the investment portfolio;
- (h) development of a liquidity contingency plan;
- (i) the nature, extent and purpose of Bank borrowings;
- (j) limits on concentrations of funding sources;
- (k) periodic deposit analyses; and
- (l) periodic review of the Bank's adherence to the policy.

(2) Upon adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision for review.

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

ARTICLE XII

INVESTMENT POLICY

(1) Within ninety (90) days, the Board shall review and revise the Bank's investment policy and implement the revised policy, and thereafter ensure Bank adherence to the policy. The policy shall contain the basic elements of a sound investment policy consistent with regulatory guidance provided in An Examiner's Guide to Investment Products and Practices (December 1992), 12 C.F.R. Part 1, and OCC Bulletin 98-20 (April 27, 1998) and shall include:

- (a) an investment portfolio strategy that is consistent with Board approved Bank asset and liability management policies and interest rate risk tolerances;
- (b) individual and committee investment portfolio purchase and sale authority;
- (c) approval procedures that will include dollar size limits, quality limitations, maturity limitations, and concentration or diversification guidelines;
- (d) a requirement that investment securities be supported by adequate credit and interest rate risk measurement information as described in the Interest Rate Risk booklet, L-IRR, of the Comptroller's Handbook and in OCC Bulletin 98-20 (April 27, 1998);
- (e) required reviews and use of securities dealers;
- (f) periodic reports to and approval by the Board for all investment portfolio purchases and sales and strategy changes; and

(g) monthly review by the Board's investment committee of the Bank's investment portfolio activity to ensure adherence to the investment policy and to applicable banking and securities laws and regulations.

(2) Within one hundred twenty (120) days, the Board shall engage an independent third party to perform a complete analysis of the Bank's investment portfolio. The review shall address performance of the portfolio in relation to the risk assumed.

(3) Within one hundred fifty (150) days, the Board shall develop a comprehensive plan to reduce the risk within the investment portfolio.

(4) The revised investment policy shall be implemented and a copy shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision.

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

ARTICLE XIII

PROFIT PLAN

(1) 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.

(2) The budgets and related documents required in paragraph (1) above for 2002 shall be submitted to the Assistant Deputy Comptroller for Bank Supervision upon completion. The Board shall submit to the Assistant Deputy Comptroller for Bank Supervision annual budgets as described in paragraph (1) above for each year this Order remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

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

(4) 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 XIV

CONSULTING CONTRACTS

(1) Within ninety (90) days, the Board, or a delegated committee thereof, shall determine whether the Bank requires consulting services. In making the determination, the following factors, at a minimum, shall be considered:

- (a) the benefits derived from any consulting services;
- (b) the cost effectiveness of employing one or more consultants; and
- (c) the delegation of any consultant's responsibilities to a permanent Bank employee.

(2) The Board or delegated committee shall set forth its final determination that either justifies maintaining existing consulting services or recommends altering or terminating such services, and the supporting reasons, in a written report to be approved by the entire Board. After it is approved, the written report shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision for Bank Supervision.

(3) If the Board determines that the Bank requires a consultant's services, the Bank shall, before hiring a new consultant or renewing any existing consulting contracts, require at a minimum the following:

- (a) competitive bids from at least three separate consultants;
- (b) submission of a written proposal detailing the services to be performed by the consultant;
- (c) submission of biographical information setting forth the applicant's credentials and experience in the areas of banking and consulting;
- (d) full disclosure to the Board of all relationships between the consultant and any Bank executive officer, director or principal shareholder or their related interests (as those terms are defined in 12 C.F.R. Part 215);
- (e) that the Board vote to approve any consultant's employment but any director whose relationship with the consultant could be perceived as causing a conflict of interest shall abstain from voting; and
- (f) execution of a written contract between the Bank and consultant based upon arms-length negotiations. Any such contract shall, at a minimum, provide for the following:
 - (i) duration of the contract;
 - (ii) precise terms governing remuneration including any salaries, benefits or expense reimbursements the consultant would receive; and
 - (iii) required work products (including periodic reporting).

(4) The Bank shall immediately renegotiate any consulting contracts or arrangements that do not conform to the requirements set forth above in paragraph (3).

(5) Prior to paying salaries or reimbursing expenses to any new or currently employed consultant, the Board shall ensure the following:

- (a) that the Bank document all services rendered by the consultant and any reimbursable expenses;
- (b) that the Bank maintain records indicating the day and time periods during which the consultant's services were performed;
- (c) that the Bank receive expense vouchers and receipts for all reimbursable expenses; and
- (d) that the Board analyzes the consultant's services to ensure that the Bank has received the full benefit to which it is entitled.

(6) Each quarter, the Board, or a delegated committee thereof, shall review any consultant's performance. A report, signed by the entire Board, shall be prepared detailing the review and setting forth whether the Bank continues to require the consultant's services. Upon completion, a copy of the report shall be forwarded to the Assistant Deputy Comptroller for Bank Supervision.

ARTICLE XV

PROGRESS REPORTING - QUARTERLY

(1) The Board shall submit quarterly progress reports to the Assistant Deputy Comptroller for Bank Supervision as indicated in Article I. 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.

(2) 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.

(3) The first progress report shall be submitted for the period ending June 30, 2002, 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 XVI

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance with such actions.

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

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

(5) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IT IS SO ORDERED, this 17th day of July, 2002.

/s/ Francis Alleman, Jr.
Francis Alleman, Jr.
Assistant Deputy Comptroller for Bank Supervision
Houston Field Office

July 17, 2002
Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Texas First National Bank)
Houston, Texas)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (Comptroller) has initiated cease and desist proceedings against Texas First National Bank, Houston, Texas (Bank) pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 17, 2002 (Order);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller. The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to seek any type of administrative or judicial review of the Order; and
 - (d) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/s/ Francis Alleman, Jr.
Francis Alleman, Jr.
Assistant Deputy Comptroller for Bank Supervision
Houston Field Office

July 17, 2002
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed
Ray S. Chang

July 17, 2002
Date

Signed
Wen-Chuan Chen

July 17, 2002
Date

Signed
Carol Sue Chiu

July 17, 2002
Date

Signed
Steve W. Hsu

July 17, 2002
Date

Signed
Walter L. Syers

July 17, 2002
Date

Signed
Richard Tseng

July 17, 2002
Date

Signed
Henry Wu

July 17, 2002
Date

Signed
Kenneth Wu

July 17, 2002
Date

Signed
Milton Yang

July 17, 2002
Date

