#2003-15

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

In the Matter of:	)
First National Bank of Littlefield,	)
Littlefield, Texas, and James T. Lee,	)
Director	)
	)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (Comptroller or OCC), through his National Bank Examiner, has examined First National Bank of Littlefield, Littlefield, Texas (Bank), and his findings are contained in the Report of Examination for the examination that commenced on November 12, 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 1/27/2003 , that is accepted by the Comptroller. By this Stipulation and Consent, which is hereby 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

STRATEGIC PLAN FOR THE RESOLUTION OF THE BANK

(1) Within fifteen (15) days, the Board shall develop and submit to the Director for Special Supervision/Fraud (Director) for prior determination of no supervisory objection, a Strategic Plan for the Resolution of the Bank (Strategic Plan), which shall detail the Board's

proposal to sell, merge, or liquidate the Bank in a manner that will result in no loss or cost to the Federal Deposit Insurance Fund. The Strategic Plan shall ensure that the Bank is under contract to be sold or merged, or begun liquidating under 12 U.S.C. § 181, within sixty (60) days of receipt of no supervisory objection from the Director.

(2) Upon receipt of no supervisory objection, the Board shall immediately adopt, implement and thereafter ensure compliance with the Strategic Plan. If the Board fails to submit a Strategic Plan or if the OCC determines, in its sole discretion, that the Board has failed to submit an acceptable Strategic Plan or to implement and ensure compliance with a Strategic Plan which has received no supervisory objection, the OCC may deem such failure to constitute a violation of this Order.

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

ARTICLE II

LIQUIDITY

(1) The Board shall maintain the liquidity of the Bank at a level that is sufficient to sustain the Bank's ongoing operations and to withstand all anticipated and extraordinary demands against its funding base. Actions taken to maintain liquidity may include, but are not necessarily limited to:

(a) selling assets;

(b) obtaining lines of credit from correspondent banks; or

(c) recovering charged-off assets.

(2) The Board shall review the Bank's liquidity on a weekly basis. Such reviews shall consider:

(a) the volatility of demand deposits including escrow deposits;

(b) the amount and type of loan commitments and standby letters of credit;

(c) an analysis of the continuing availability and volatility of present funding sources;

(d) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans;

(e) an analysis of the impact of decreased cash flow from the sale of loans or loan participations;

(f) an analysis of the impact of decreased cash flow and risks to liquidity from the process of selling, merging, or liquidating the Bank; and

(g) geographic disbursement of and risk from brokered deposits.

(3) The Board shall prepare weekly reports setting forth liquidity requirements and sources. Copies of these reports shall be forwarded to the Director on a weekly basis. If the OCC determines, in its sole discretion, that the Board has failed to maintain sufficient liquidity, the OCC may deem such failure to constitute a violation of this Order.

ARTICLE III

CREDIT RISK

(1) Within thirty (30) 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, analyze and correct 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.

(2) Upon completion, the Board shall submit a copy of the program to the Director.

(3) At least monthly, 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 Director.

(4) 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

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interests in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or

external loan review, or in any list of criticized assets provided at any time to management by the National Bank Examiners or the Director.

(2) Within thirty (30) 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 of criticized assets provided at any time to management by the National Bank Examiners or the Director 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.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding twenty-five thousand dollars ($25,000) shall be forwarded to the Director.

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

(a) the status of each criticized asset or criticized portion thereof that equals or exceeds twenty-five thousand dollars ($25,000);

(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.

(5) A copy of each review shall be forwarded to the Director on a monthly basis in a format similar to Appendix A attached hereto.

(6) 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 twenty-five thousand dollars ($25,000) 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.

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

(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 V

LENDING RESTRICTIONS AND COMPENSATION

(1) Effective immediately, the Board shall prohibit James T. Lee from exercising any lending authority at the Bank, including underwriting, extending or voting to approve or disapprove any loans or loan participations, or negotiating on behalf of the Bank, as opposed to negotiating as an investor or indemnitor, any loans or loan participations.

(2) Effective immediately, the Board shall prohibit James T. Lee from any supervisory or managerial involvement in the Bank's lending area. At a minimum, such prohibition shall encompass engaging in the following on behalf of the Bank:

(a) rating loans in accordance with the Bank's internal loan review system;

(b) evaluating the performance of Bank personnel working in the loan area; and

(c) developing Bank loan policies, procedures and systems.

(3) The prohibitions addressed in paragraphs one (1) and two (2) above apply to all loans, loan participations, other extensions of credit and lending activities in which the Bank is currently involved or may be involved in the future.

(4) The OCC, in the exercise of its discretion, may deem the failure of the Board to effectively administer the restrictions imposed in paragraphs one (1) and two (2) or the failure of James T. Lee to abide by these restrictions, as violations of this Order.

(5) The Board shall immediately reduce James T. Lee's compensation to a level commensurate with that provided to other non-officer directors of the Bank.

ARTICLE VI

CLOSING

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

(2) 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.

(3) 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 Director for good cause upon written application by the Board.

(4) 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.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain 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 non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(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.

(7) 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 29th day of January, 2003.

/s/ Ronald G. Schneck

Ronald G. Schneck
Director for Special Supervision/Fraud
Office of the Comptroller of the Currency
Washington, D.C.

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

In the Matter of:	)
First National Bank of Littlefield,	)
Littlefield, Texas, and James T. Lee,	)
Director	)
	)

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America (Comptroller or OCC) may initiate cease and desist proceedings against First National Bank of Littlefield, Littlefield, Texas (Bank) and/or James T. Lee, Director of the 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 1/29/2003 (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.

(2) 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). 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.

(3) 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.

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 Formal Agreement dated December 19, 2001 between the Bank and the OCC remains in full force and effect, except for Articles II and III, which are hereby superceded by the Order.

(2) 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/ Ronald G.Schneck *1/29/2003*

Ronald G. Schneck
Director for Special Supervision/Fraud
Office of the Comptroller of the Currency
Washington, D.C.

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	1/27/03
Paula Bell	Date
Signed	January 27, 2003
James T. Lee	Date
Signed	01//27/2003
Jay H. Lee	Date
Signed	01/27/2003
Patsy Rue Lee	Date
Signed	1-27-03
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 monthly until notified otherwise, in writing, by the Director for Special Supervision/Fraud.