#2003-70

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

In the Matter of: First National Bank of O'Donnell O'Donnell, Texas	)	AA-EC-2003-16

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has examined ("Bank"), First National Bank of O'Donnell, O'Donnell, Texas ("Bank"), and his findings are contained in the Report of Examination, that commenced on March 5, 2003 ("ROE").

WHEREAS, 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 June 17, 2003, 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.

NOW, THEREFORE, the Comptroller, acting by and through his designated representative, and by virtue of the authority conferred by 12 U.S.C. § 1818(b),

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 ("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 has 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 Office of the Comptroller of the Currency ("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) On a bi-weekly basis, the Bank shall file status reports on its efforts to sell, merge or liquidate the Bank, including a description of: (i) the efforts taken to market the Bank; (ii) any written offers to purchase received during the immediately preceding two-week period; and (iii) the status of any ongoing sale, merger or liquidation efforts.

(4) Prior to entering into a binding agreement for the sale or disposition of the Bank or the Bank's assets, the Bank shall provide the OCC with the opportunity to object to the terms and conditions of the binding agreement.

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

ARTICLE II

RESTRICTIONS ON INSIDER, AFFILIATE AND OTHER TRANSACTIONS

(1) The Bank shall immediately, and until further notice by the OCC, cease and desist from making any payments and/or transferring any assets, funds or other property to former President and Chairman of the Board Nelson D. Hogg ("Nelson Hogg"), including: (i) payments for compensation, including salary, benefits and director's fees, and (ii) reimbursement of expenses incurred for business or any other purpose.

(2) The Bank shall cease and desist from reimbursing or making payments to Bank officers, directors or other employees for expenses incurred unless such expenses are: (i) supported by documentation demonstrating that the expense is reasonable and necessary to the business of the Bank, and (ii) specifically approved by the Board, with documentation of such approval.

(3) The Bank shall obtain a prior written determination from the Director that the OCC has no supervisory objection before engaging in any transactions for the transfer of funds, the extension of credit and/or the conferring of any other type of benefit, directly or indirectly, involving any of the following individuals:

(a) Jon Hogg;

(b) Matt Hogg;

(c) Cheryl Hogg; or

(d) Kenneth Hogg.

The requirements of this paragraph shall not include salaries and benefits paid pursuant to written contracts, the individual's employment with the institution, or otherwise permissible by law and this Order. However, the Bank shall submit to the Director for his prior supervisory non-objection any proposed increase in salary or benefits to individuals listed in this paragraph.

(4) The Board shall take the necessary steps to ensure that any and all transactions with any of the Bank's or the Bank's holding company's directors, shareholders, executive officers (the "Insiders") or any related interest or immediate family member (as defined in 12 C.F.R. § 215.2) of the Insiders (collectively referred to as "Related Parties") shall: (i) comply with the requirements of 12 C.F.R. Part 215; (ii) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and (iii) be supported by documentation in the books and records of the Bank which demonstrate that the transactions comply with the requirements of 12 C.F.R. Part 215.

(5) The Board shall take the necessary steps to ensure that any and all transactions with any of its affiliates, as defined in 12 U.S.C. § 371c, shall: (i) comply with the requirements of 12 U.S.C. § 371c and 12 U.S.C. § 371c-1; (ii) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and (iii) be supported by documentation in the books and records of the Bank which demonstrate that the contracts or agreements comply with the requirements of 12 U.S.C. § 371c-1.

(6) Notwithstanding the provisions of Article I of this Order, the Bank shall not engage in the sale of any Bank assets exceeding a fair market value of $250,000 without obtaining a written determination of no supervisory objection from the OCC. When seeking such a determination, the Bank shall provide documents satisfying the Director that:

(a) The proposed sale is made pursuant to a written contract;

(b) The proposed sale proceeds are of highly liquid assets (e.g., cash, U.S. Treasury notes) to be paid entirely and directly to the Bank from the purchaser without use of any intermediary; and

(c) The proposed sale is conducted in an arm's length transaction for fair market value.

ARTICLE III

RESTRICTIONS ON CAPITAL DISTRIBUTIONS

(1) Without the prior written approval of the Director, the Bank shall not declare or pay any cash or non-cash dividend, or any other distribution of the Bank's capital or paid-in surplus.

ARTICLE IV

ROE CITATIONS

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law or rule or regulation cited in the ROE. The bi-weekly progress reports required by Article VI of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) The Board shall immediately take all necessary steps to prevent future violations, practices, and breaches as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations and duties applicable to their areas of responsibility.

ARTICLE V

BOOKS AND RECORDS

(1) The Bank shall maintain its books and records in a complete and accurate condition, and the Bank's files shall contain all records and information necessary to allow the Comptroller to determine the details or purposes of each of the Bank's transactions.

(2) The Bank shall provide all federal financial regulatory agency personnel with prompt and unrestricted access to the Bank's books, records and staff, and provide full and complete details or purposes of the Bank's transactions to agency personnel upon inquiry.

(3) The Bank shall not destroy, alter or remove from the Bank's premises any Bank documents, books, or records until further written notice by the Director. For purposes of this paragraph, "documents, books and records" shall have the broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, financial instruments and tapes.

ARTICLE VI

DOCUMENTATION AND REPORTING

(1) Within fourteen (14) days of the Effective Date of this Order and thereafter on a bi-weekly basis, the Bank shall submit to the OCC a written report detailing the actions taken to comply with this Order.

(2) Within fourteen (14) days of receipt of no supervisory objection from the Director to the Bank's Strategic Plan, and thereafter on a bi-weekly basis, the Bank shall submit a report to the Director on the Bank's efforts to sell, merge or liquidate pursuant to Article I of this Order.

ARTICLE VII

NOTICE TO THE OCC

(1) All correspondences related to this Order, and any information or documentation required hereunder to be submitted to the Comptroller, shall be sent by overnight mail, hand delivery, or facsimile to:

Ronald G. Schneck
Director, Special Supervision
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
202-874-4450
202-874-5214 (fax)

and to:

Dianne Ivy
National Bank Examiner
Office of the Comptroller of the Currency
5225 South Loop 289, Suite 108
Lubbock, Texas 79424-1319
806-794-9922; 806-798-1129 (fax)

ARTICLE VIII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review and/or supervisory non-objection 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) 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.

(6) 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 June 2003.

signed

Ronald G. Schneck
Director for Special Supervision

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

In the Matter of: First National Bank of O'Donnell O'Donnell, Texas	)	AA-EC-2003-16

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 O'Donnell, O'Donnell, 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 June 17, 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

(3) 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*.

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

(5) 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 June 13, 2003 between the Bank and the OCC remains in full force and effect, except for Article I, which is 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.

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

June 17, 2003
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*	June 17, 2003
Randy S. Carlisle	Date
*signed*	June 17, 2003
William R. Henderson	Date
*signed*	June 17, 2003
Cheryl Hogg	Date
*signed*	June 17, 2003
Jon Hogg	Date