#2009-169

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

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

CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiner, has supervisory authority over First National Bank of Jasper, Jasper, Texas ("Bank").

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 October 8, 2009, that is accepted by the Comptroller. By this Stipulation and Consent, which 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 it 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 of the date of this Order, the Board shall appoint a Compliance Committee of at least five (5) directors, of which no more than two (2) shall be an employee or controlling shareholder 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 and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy

Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the end of each calendar quarter beginning January 30, 2010, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and,

(c) the results and status 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 within ten (10) days of receiving such report.

ARTICLE II

CAPITAL PLAN

(1) The Bank shall achieve by December 31, 2009 and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

(a) Total Risk-Based capital at least equal to thirteen percent (13%) of risk-weighted assets;

(b) Tier 1 capital at least equal to nine percent (9%) of adjusted total assets.

(2) Within one hundred and twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three-year capital program. The program shall include:

(a) 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; historical data; and future strategic plans;

(b) potential losses due to a determination of other-than-temporary impairment on the holdings of private label collateralized mortgage obligations (CMOs);

(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;

(ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and,

(iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller. Upon receiving a determination of no supervisory objection, the Bank shall implement and adhere to the dividend policy.

(3) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, 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.

ARTICLE III

INVESTMENT POLICY

(1) Within sixty (60) days, the Board shall review and revise the Bank's Investment Policy, internal control processes, and Management Information System (MIS) reports to include the following items, and shall thereafter ensure adherence to this policy:

(a) prudent investment risk diversification guidelines and concentration limits, including for private label CMOs;

(b) a due diligence process prior to the purchase of complex asset-backed securities, including an analysis of the impact of such purchases on the Bank’s capital and earnings under various scenarios.

(c) a process that demonstrates the Board’s understanding for the specific asset backed securities to be purchased.

(d) a written exit strategy should the Bank’s investment securities (including but not limited to its current portfolio of CMO investments) and/or funding sources fail to perform as projected. The plan shall focus on limiting exposure to earnings and capital through planned sales and repayment of debt and include the following:

(i) identification of potential risks;

(ii) identification of specific triggers that require action on the Bank’s behalf; and,

(iii) planned steps to be taken to exit the Bank’s CMO investments and related funding mechanisms.

(e) an independent analysis to validate any pre-purchase analysis completed by the Bank's broker on the Bank's purchase of private label CMOs or similar securities;

(f) develop MIS report to include the following:

(i) quarterly independent valuations of each private label CMO; and,

(ii) monthly reports that detail the securities ratings from Moody's Investors Service, Standard & Poor's Ratings Services, and Fitch Ratings.

(2) Upon completion, the Bank's revised Investment Policy and internal control process shall be forwarded to the Assistant Deputy Comptroller.

(3) Copies of the following MIS reports shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis:

(a) any private label CMO analysis performed by an independent consultant;

(b) report listing all securities identified as below investment grade, and any downgrades of securities by a Nationally Recognized Statistical Rating Organization;

(c) market and book values for each private label CMO held; and,

(d) listing of sales transactions or purchases of private label CMOs, to include copies of confirmation tickets.

ARTICLE IV

RECOGNITION OF OTHER-THAN-TEMPORARY IMPAIRMENT

(1) Within sixty (60) days, the Bank shall develop and implement policies and procedures to ensure the timely identification and ongoing monitoring of investment securities (debt and equity) with other-than-temporary impairment.

(2) The Bank's policy shall call for a quarterly written review of those securities with a fair value below amortized cost in order to evaluate whether a decline in the fair value is other-than-temporary. Such a review shall encompass, as applicable, the factors specified in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115), and other accounting guidance (e.g., OCC Bulletin 2009-11, dated April 17, 2009, "Other-than-Temporary Impairment Accounting" and Call Report Instructions). A written report must be filed with the Board after each quarterly review, prior to the filing of the Consolidated Reports of Condition and Income. The factors include:

(a) whether fair value is significantly below amortized cost;

(b) the period of time the decline has existed;

(c) the Bank's intent and the ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value;

(d) downgrades in securities from investment grade to below investment grade or other sudden and significant downgrades;

(e) the financial condition of the issuer;

(f) whether the decline is attributable to adverse conditions specifically related to the issuer or to specific conditions in an industry or in a geographic area;

(g) if dividends (where applicable) have been reduced or eliminated;

(h) any failure to make scheduled interest or principal payments, as reported by Bloomberg or another nationally recognized reporting service acceptable to the OCC;

(i) changes in tax laws, regulations, or other governmental policies significantly affecting the issuer and/or underlying obligors; and,

(j) forecasts of economic, market or industry trends.

(3) For those securities that the Bank does not plan to hold for a sufficient period of time to recover the recorded value, or when the issuer of the security defaults, impairment in the fair value of the security will typically be considered other-than-temporary.

(4) For other securities adversely affected by the factors listed in paragraph (2), the Bank must provide objective and verifiable evidence documenting why it should not use an other-than-temporary classification. The objective evidence must indicate the reasons the decline in value below amortized cost is "temporary" and detail how the decline in value can reasonably be expected to be reversed. Objective evidence supporting "temporary" impairment may include the issuer's financial performance (including such factors as earnings trends, dividend payments, asset quality and specific events), the financial condition and near term prospects of the issuer, and the economic conditions and prospects for the issuer's region and industry.

(5) If the Bank determines that an impairment of a particular investment is other-than-temporary, the investment must be written down to fair value, through earnings, in the period it occurred. Quoted market prices shall be used to support fair value, when available. If a quoted market price is not available, the estimate of fair value shall be based on the best

information available in the circumstances. Once other-than-temporary impairment has been recognized, the fair value is the new cost basis of the asset. The new cost basis is not adjusted by subsequent recoveries of value at a later date.

(6) The Board shall evaluate the independent other-than-temporary impairment analysis and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the analysis. Within thirty (30) days of receipt of the independent analysis, the Board shall cause the Bank to recognize, for financial reporting purposes, any deficiencies identified in the quarter incurred, and amend and re-file, if necessary, any previously-filed Reports of Condition and Income ("Call Report").

ARTICLE V

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

(a) detect irregularities and weak practices in the Bank's operations;

(b) determine the Bank's level of compliance with all applicable laws, rules and regulations;

(c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;

(d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its investment policies and OTTI as required by this Order;

(e) adequately cover all areas; and

(f) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE VI

LIQUIDITY AND CONTINGENCY FUNDING PLAN

(1) Within sixty (60) days, the Bank shall revise its contingency funding plan to enable the Bank to sustain sufficient liquidity to support the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base. Such actions may include, but are not necessarily limited to:

(a) obtaining lines of credit from the Federal Reserve Bank;

(b) obtaining lines of credit from the Federal Home Loan Bank;

(c) obtaining lines of credit from correspondent banks;

(d) sale of assets; and,

(e) injecting additional equity capital.

(2) The Board shall review the Bank's liquidity on a quarterly basis, and require, at a minimum, test of the plan to include:

(a) Verifying the continuing availability of present funding sources; and,

(b) Determining and identifying, if necessary, assets required to be pledged.

(3) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs.

(4) Monthly reports shall set forth liquidity requirements and sources and update the status of the contingency plan. Copies of these reports shall be forwarded to the Assistant Deputy Comptroller in the Bank's quarterly report to the Assistant Deputy Comptroller.

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall revise its 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 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 provide for a review of the Allowance by the Board at least once each calendar quarter prior to the filing of that quarter's Call Report. Any deficiency in the Allowance shall be remedied for the applicable quarter 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.

ARTICLE VIII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, 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 unless noted otherwise. Such time limitations may be extended in writing by the Assistant Deputy Comptroller 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;

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

(e) ensure that the Bank has adequate processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to each article in this Order.

(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 Comptroller 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 prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 8th day of October, 2009.

/S/

Francis Alleman, Jr.
Assistant Deputy Comptroller
Houston Field Office

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

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

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller") intends to initiate cease and desist proceedings against First National Bank of Jasper, Jasper, Texas ("Bank") pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices including practices relating to the investment portfolio of the Bank and violations of law or regulation including 12 C.F.R. Part 1.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated October 8, 2009 ("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 Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his 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 Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his 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 a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19

(d) all rights to seek any type of administrative or judicial review of the Order; and

(e) 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, it deems it appropriate to do so to fulfill the responsibilities placed upon it 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/ Oct. 8, 2009

Francis Alleman, Jr. Date
Assistant Deputy Comptroller
Houston Field Office

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.

/S/	10/8/2009
R. Max Alvis	Date
/S/	10/8/2009
Aubrey W. Barlow	Date
/S	10/8/2009
Walter G. Diggles	Date
/S/	10/8/2009
Richard C. Hile	Date
/S/	10/8/2009
Louis P. Lindsey	Date
/S/	10/8/2009
P. E. Lindsey, Jr.	Date
/S/	10/8/2009
L. L. Mathews, Jr.	Date
/S/	10/8/2009
Marvin McDonald	Date
/S/	10/8/2009
Jackie Miller	Date
/S/	10/15/2009
Wesley L. Neal, Jr.	Date
/S/	10/8/2009
Ben R. Ogletree, Jr.	Date
/S/	10/8/2009
Robert Sebaugh	Date