

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

In the Matter of:	)	
Larry Serlo	)	
Former Director	)	AA-EC-12-92
	)	
Security Bank, N.A. (closed)	)	
North Lauderdale, Florida	)	

**CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate prohibition and civil money penalty proceedings against Larry Serlo (“Respondent”) pursuant to 12 U.S.C. §§ 1818(e) and (i) on the basis of Respondent’s activities while serving as a director at Security Bank, N.A., North Lauderdale, Florida (“Bank”), during the period of 2007 to September 29, 2010;

WHEREAS, in the interest of cooperation and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, Respondent, without admitting or denying any wrongdoing, desires to enter into this Consent Order (“Order”) issued pursuant to 12 U.S.C. §§ 1818(e) and (i);

NOW, THEREFORE, in consideration of the above premises, it is stipulated by and between the Comptroller, through his duly authorized representative, and Respondent that:

**Article I**

**JURISDICTION**

(1) The Bank was formerly 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. during the period relevant to this action. Accordingly, the Bank was an “insured depository

institution” as that term is defined in 12 U.S.C. § 1813(c)(2). The Bank was closed and the Federal Deposit Insurance Corporation (“FDIC”) was appointed Receiver on May 4, 2012.

(2) Respondent was a director of the Bank and is an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date hereof (see 12 U.S.C. § 1818(i)(3)).

(3) Pursuant to 12 U.S.C. § 1813(q)(1), the Comptroller is the “appropriate Federal banking agency” to maintain enforcement proceedings against institution-affiliated parties. Therefore, Respondent is subject to the authority of the Comptroller to initiate and maintain these prohibition and civil money penalty proceedings against him pursuant to 12 U.S.C. §§ 1818(e) and (i).

## **Article II**

### **COMPTROLLER’S FINDINGS**

The Comptroller finds, and Respondent neither admits nor denies, the following:

(1) Respondent served as a director of the Bank during at least 2000 to September 29, 2010. At all relevant times, Respondent was a 66.67 percent owner of Company A, which was a loan customer of the Bank from 1996. As of June 30, 2010, the Bank’s loans to Company A totaled approximately \$1.98 million, each of which was guaranteed by Respondent. The company’s inventory served as collateral for the loans and was secured by a lien in favor of Security Bank.

(2) On or around March 19, 2010, without satisfying the Bank’s lien, Respondent caused his company to sell the inventory that served as collateral for certain of the loans, as well as the company name, to an associate.

(3) On May 19, 2010, the Bank's board of directors voted to approve renewal of four of Company A's problem loans totaling \$635,000. At the time of the renewals, the company had a negative net worth, substantial year-to-date losses, and had failed to provide requested financial information. Subsequently, the Bank sustained a loss from the loans when, in late 2010, it charged off approximately \$628,996 of the unpaid loans.

(5) Company A's loan renewals constitute a violation of 12 C.F.R. Part 215 ("Regulation O") because the loans were made to Respondent's related interest, and thus to a bank insider, and contained more than normal repayment risk and other unfavorable features. Respondent violated Regulation O by knowingly receiving or permitting his related interest to receive an extension of credit that violated Regulation O.

(6) Mitchell Aronson ("Aronson") was associated with the Bank during the period March 2007 to January 2011. Aronson pled guilty to and was convicted of the criminal offenses of conspiracy to conceal taxable income and evasion of income tax on April 13, 1988. Title 12 U.S.C. § 1829 prohibits "any person who has been convicted of any criminal offense involving dishonesty" from becoming or serving as an institution-affiliated party of any insured depository institution. Respondent was aware of Aronson's prior criminal convictions, but voted to appoint Aronson to the position of Secretary of the Bank's board of directors on May 7, 2010 and allowed Aronson to serve as an institution-affiliated party performing various administrative duties relating to the Bank's non-performing loans and other real estate owned ("OREO") properties. Thus, Respondent caused the Bank to violate 12 U.S.C. § 1829.

(7) In addition, as a member of the board, Respondent failed to ensure that Bank management developed and implemented an effective Bank Secrecy Act ("BSA") compliance

and suspicious activity monitoring and reporting system, in violation of 12 C.F.R. §§ 21.11 and 21.21.

(8) By reason of the foregoing conduct, Respondent violated and/or caused the Bank to violate the law, engaged in recklessly unsafe or unsound banking practices, and breached his fiduciary duty to the Bank. He also demonstrated a willful or continuing disregard for the safety and soundness of the Bank that resulted in more than minimal loss to the Bank.

### **Article III**

#### **ORDER OF PROHIBITION**

Respondent consents to, and it is ORDERED that:

(1) With respect to the institutions and agencies set forth in paragraph 2 of this Article, Respondent hereby agrees that he shall not:

- (a) participate in any manner in the conduct of their affairs;
- (b) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights;
- (c) violate any voting agreement previously approved by the “appropriate Federal banking agency,” as defined in 12 U.S.C. § 1813(q) (as amended);  
or
- (d) vote for a director, or serve or act as an “institution-affiliated party,” as defined in 12 U.S.C. § 1813(u) (as amended).

(2) The prohibitions in paragraph (1) of this Article apply to the following institutions and agencies:

- (a) any insured depository institution, as defined in 12 U.S.C. § 1813(c);

- (b) any institution treated as an insured depository institution under 12 U.S.C. §§ 1818(b)(3), (b)(4), or (b)(5), including, but not limited to, any subsidiary of such institution;
- (c) any insured credit union under the Federal Credit Union Act;
- (d) any institution chartered under the Farm Credit Act of 1971;
- (e) any appropriate Federal depository institution regulatory agency; and
- (f) the Federal Housing Finance Agency and any Federal home loan bank.

(3) The prohibitions of paragraphs (1) and (2) of this Article shall cease to apply with respect to a particular institution if Respondent obtains the prior written consent of both the Comptroller and the institution's "appropriate Federal financial institutions regulatory agency," as defined in 12 U.S.C. § 1818(e)(7)(D).

(4) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. §§ 1818(e) and (h).

#### **Article IV**

#### **ORDER FOR CIVIL MONEY PENALTY**

Respondent consents to, and it is ORDERED that:

- (1) Respondent shall pay a civil money penalty in the amount of fifteen thousand dollars (\$15,000), which shall be paid in full upon execution of this Order.
- (2) Respondent shall make payment by certified check payable to the Treasurer of the United States, and shall deliver the payment to: Comptroller of the Currency, P.O. Box 979012, St. Louis, Missouri 63197-9000. The docket number of this case (AA-EC-12-92) shall be entered on the check.

(3) Respondent shall deliver a copy of the check to Director, Enforcement and Compliance Division, Office of the Comptroller of the Currency, 400 7<sup>th</sup> Street S.W., Washington, DC 20219 together with this Order.

(4) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. §§ 1818(i) and (h).

## **Article V**

### **CLOSING**

- (1) By executing this Order, Respondent waives:
- (a) the right to a Notice of Charges for Issuance of a Prohibition Order and a Notice of Assessment of a Civil Money Penalty under 12 U.S.C. §§ 1818(e) and (i);
  - (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(e) and (i) and 12 C.F.R. Part 19;
  - (c) all rights to seek judicial review of this Order;
  - (d) all rights in any way to contest the validity of this Order; and
  - (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.
- (2) Respondent shall not cause, participate in or authorize the Bank (or any subsidiary or affiliate thereof) to incur, directly or indirectly, any expense for the payment of the civil

money penalty under this Order, or any legal (or other professional) expense relative to the negotiation and issuance of this Order except as permitted by 12 C.F.R. § 7.2014 and Part 359. In addition, Respondent shall not, directly or indirectly, obtain or accept any indemnification (or other reimbursement) from the Bank (or any subsidiary or affiliate thereof) with respect to such amounts except as permitted by 12 C.F.R. § 7.2014 and Part 359.

(3) Respondent acknowledges that he has read and understands the premises and obligations of this Order and declares that no separate promise or inducement of any kind has been made by the Comptroller, his agents or employees to cause or induce Respondent to agree to consent to the issuance of this Order and/or to execute this Order.

(4) This Order constitutes a settlement of any proceedings arising out of the acts, omissions, or violations described in the Comptroller's Findings (Article II of this Order). The Comptroller agrees not to institute proceedings for the specific acts, omissions, or violations referenced in the first whereas clause, hereof, unless such acts, omissions, or violations reoccur. However, the specific acts, omissions, or violations described in Article II may be used by the Comptroller in future enforcement actions to establish a pattern of misconduct or the continuation of a pattern of misconduct.

(5) This Order shall not be construed as an adjudication on the merits and, except as set forth above in paragraph four (4) of this Article, shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any action affecting Respondent 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.

(6) Nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and nothing herein constitutes, nor shall Respondent contend that

it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

(7) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States. Respondent expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of those entities, to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(8) This Order is "issued with the consent of . . . the institution-affiliated party concerned," pursuant to 12 U.S.C. § 1818(h)(2).

(9) 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.

(10) The provisions of this Order are effective upon issuance 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, through his authorized representative.



IN TESTIMONY WHEREOF, the undersigned has hereunto set his hand.

s/Larry Serlo

8/28/14

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Larry Serlo

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Date

**IT IS SO ORDERED.**

s/Kristina B. Whittaker

9/9/14

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Kristina B. Whittaker  
Deputy Comptroller for Special Supervision

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Date