

UNITED STATES OF AMERICA
BEFORE
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of)	
)	Docket No. 00-019-B-SM
UNITED CENTRAL BANK)	Amendment of Order to
Garland, Texas)	Cease and Desist
)	Issued Upon Consent
)	

WHEREAS, in recognition of the common goal of the Board of Governors of the Federal Reserve System (the "Board of Governors") and the United Central Bank, Garland, Texas (the "Bank") to ensure compliance with all applicable federal and state laws, rules, and regulations, the Bank consented to the issuance of a Cease and Desist Order, which became effective on November 13, 2000 (the "Order");

WHEREAS, additional deficiencies have been identified at the Bank that require further action to ensure the Bank's continued safe and sound operations, and the Bank has agreed to this amendment of the Order;

WHEREAS, on September 26, 2002, the board of directors of the Bank adopted a resolution authorizing and directing James Yoo to agree to this amendment of the Order on behalf of the Bank, and consenting to compliance by the board of directors of the Bank and the Bank's institution-affiliated parties, as defined in section 3(u) of the

Federal Deposit Insurance Act, as amended (12 U.S.C. 1813(u)), to comply with each and every provision of the amended Order.

NOW, THEREFORE, IT IS HEREBY ORDERED that the Order is amended as follows:

1. Paragraphs 1 through 4 of the Order are not amended. The following paragraphs shall be added to the Order following paragraph 4:

“5. Within 60 days of this amendment to the Order, the board of directors shall submit to the Reserve Bank a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) the steps that the board of directors will take to improve the Bank’s condition and to maintain effective control over and supervision of the senior management, major operations, and activities of the Bank.

(b) the responsibility of the board of directors to monitor exceptions to approved Bank policies and procedures;

(c) a description of the detailed information to be included in periodic reports that will be reviewed by the board of directors in its oversight of the operations and management of the Bank; and

(d) the maintenance of adequate and complete minutes of all board meetings, approval of such minutes, and their retention for supervisory review.

“6. Within 90 days of this amendment to the Order, the Bank shall submit to the Reserve Bank a written plan providing for orderly management succession within the Bank.

The plan shall, at a minimum, identify the individual(s) who are considered to have the potential for advancement or promotion, the area(s) in which such individual(s) may assume new duties or responsibilities or the position(s) to which they may be promoted, and the training to be provided such individual(s) to ensure adequate management.

“7. The Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors in the appointment of directors and senior executive officers and with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. 1828) and Part 359 of the Federal Deposit Insurance Corporation’s regulations (12 C.F.R. part 359).

“8. The Bank shall take all steps necessary to ensure compliance with its written loan policies and procedures, including, at a minimum:

- (a) ensuring that loans are not granted to pay past due principal or interest on existing loans and that loans are not renewed to keep borrowers from becoming past due;
- (b) monitoring and reporting of past due loans and prompt reporting of deterioration in credits;
- (c) maintaining adequate credit and collateral documentation;
- (d) maintaining appropriate documentation of the sources of loan downpayments; and
- (e) enhancing written plans to improve the Bank’s position on each classified loan.

“9. Within 60 days of this amendment to the Order, the Bank shall submit to the Reserve Bank acceptable policies and procedures to ensure independence of the loan review function and establish qualitative standards to address risks in the loan officer incentive program.

“10. The Bank shall maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the probable losses in the Bank’s loan portfolio, including the potential for the existence of unidentified losses in loans adversely classified, the imprecision of loss estimates, and the requirements of the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated December 22, 1993 and July 2, 2001. A description of the reserve methodology shall be submitted to the Reserve Bank within 60 days of this amended Order. Thereafter, at a minimum on a calendar quarterly basis, the Bank shall conduct an assessment of its loan loss reserve and, within 30 days of the end of each calendar quarter, shall submit to the Reserve Bank the quarterly assessment, including the methodology used in determining the amount of loan loss reserve for that quarter. The Bank shall maintain for subsequent supervisory review documentation to support the methodology used for each quarterly assessment.

“11. (a) Within 60 days of this amendment to the Order, the Bank shall submit to the Reserve Bank a written strategic plan and a budget concerning the Bank’s proposed

business activities for the remainder of 2002 and for 2003. The plan and budget shall, at a minimum, provide for or describe:

(i) the responsibilities of the Bank's board of directors regarding the development, approval, implementation and monitoring of the strategic plan and budget, and the procedures designed to ensure that the board of directors fulfills such responsibilities;

(ii) management, lending, and operational objectives, given the condition of the Bank as reflected in the most recent report of examination of the Bank and subsequent reports;

(iii) the operating assumptions that form the bases for major projected income and expense components, and the sources and uses of new funds;

(iv) financial performance objectives, including plans for asset growth, earning, liquidity, and capital supported by detailed quarterly and annual pro forma financial statements, including projected budgets, balance sheets and income statements; and

(v) the establishment of a monthly review process to monitor the actual income and expenses of the Bank in comparison to budgeted projections.

(b) The Bank shall submit to the Reserve Bank a revised strategic plan or budget at least 30 days prior to the occurrence of any planned material changes to adopted strategic plans or budgets, and the Bank shall promptly notify the Reserve Bank of any significant deviations from adopted strategic plans or budgets.

(c) A strategic plan and budget for each calendar year subsequent to 2003 shall be submitted to the Reserve Bank at least one month prior to the beginning of that calendar year.

“12. The Bank shall immediately take all necessary steps, consistent with safe and sound banking practices, to correct all violations of law set forth in the report of the examination that concluded on May 5, 2002, and the board of directors shall take all necessary steps to ensure the Bank’s future compliance with all applicable laws and regulations..

“13. Within 60 days of this amendment to the Order, the Bank shall submit to the Reserve Bank acceptable written IT policies and procedures that shall, at a minimum, address, consider, and include:

- (a) the management of technology risks affecting all areas of the Bank’s operations;
- (b) network and data security;
- (c) vendor oversight of applications for network management; and
- (d) disaster recovery and contingency planning for the IT area.”

2. Paragraph 5 of the Order shall be amended as follows:

“14. The written plans, programs, policies, and procedures required by paragraphs 1(c), 2, 3, 4, 5, 6, 9, and 13 hereof shall be submitted to the Reserve Bank for review and approval. Acceptable plans, programs, policies, and procedures shall be submitted within the time periods set forth in this Order. The Bank shall adopt the approved plans, programs, policies, and procedures within 10 days of approval by the Reserve Bank, and then shall fully comply with them. During the term of this Order, the approved plans, programs, policies, and

procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.”

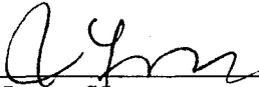
3. Paragraphs 6 through 11 of the Order shall be renumbered as paragraphs 15 through 20.

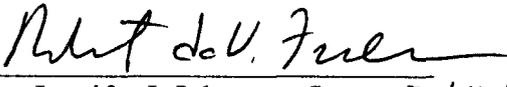
By order of the Board of Governors of the Federal Reserve System effective this

11th day of October, 2002.

UNITED CENTRAL BANK

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: 
James Yoo
Chairman

By: 
~~Jennifer J. Johnson~~ *Robert deV. Frierson*
Deputy Secretary of the Board