

**AGREEMENT BY AND BETWEEN
FIRST NATIONAL BANK OF THE MID-CITIES
BEDFORD, TEXAS
AND
THE COMPTROLLER OF THE CURRENCY**

First National Bank of the Mid-Cities, Bedford, Texas (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination dated October, 20, 2005 (“ROE”) and in the Letter to the Board for the periodic monitoring that commenced on April 6, 2006 (“Letter”).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I-- JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller (ADC) pursuant to this Agreement shall be forwarded to

Mark R. Holder
Assistant Deputy Comptroller
Fort Worth Field Office
9003 Airport Freeway, Suite 275
North Richland Hills, Texas 76180

ARTICLE II-- COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least five (5) directors. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of membership, the name of any new member shall be submitted in writing to the ADC for review and prior written determination of no supervisory objection. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

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

(3) Within sixty (60) days of the date of this Agreement and monthly thereafter, 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 Agreement;
- (b) actions taken to comply with each Article of this Agreement; and,
- (c) the results of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report quarterly, with any additional comments by the Board, to the ADC within ten (10) days of receiving such report.

(5) The first report shall be submitted for the period ending October 31, 2006.

ARTICLE III-- **BOARD TO ENSURE COMPETENT MANAGEMENT**

(1) Within sixty (60) days, the Board shall ensure that the Bank has competent management in place, including in its President position, to carry out the Board's policies, to ensure compliance with this Agreement, applicable laws, rules and regulations, and to manage the day-to-day operations of the Bank in a safe and sound manner.

(2) If any of the positions mentioned in Paragraph (1) of this Article become vacant, the Board shall within fifteen (15) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(3) Prior to the appointment of any individual to that position, the Board shall submit to the ADC the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" booklets of the *Comptroller's Licensing Manual*, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and,
- (c) a written description of the proposed officer's duties and responsibilities.

(4) The ADC shall have the power to disapprove the appointment of the proposed new officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(5) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE IV-- LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within thirty (30) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. 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) procedures to ensure conformance with loan approval requirements;
- (d) a system to track and analyze exceptions;
- (e) procedures to ensure interim construction lending standards are adhered to;
- (f) procedures to ensure asset-based lending standards are enforced through the maintenance of current accounts receivable aging reports, inventory listings, borrowing base agreements, and inspections;
- (g) procedures to ensure conformance with Call Report instructions;

(h) procedures to ensure the accuracy of internal management information systems; and

(i) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be submitted to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the program.

(3) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of:

(a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;

(b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;

(c) previously charged-off assets and their recovery potential;

(d) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;

(e) adequacy of credit and collateral documentation;

(f) compliance with OCC Bulletin 2000-20 Uniform Retail Credit Classifications and Account Management Policy dated June 20, 2000; and,

(g) concentrations of credit.

(4) Beginning September 1, 2006, and on a monthly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (g) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and,
- (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) The Board shall forward a copy of the written reports, with any additional comments by the Board, to the ADC within five (5) business days of receiving such reports.

(6) Within thirty (30) days, the Board shall engage a qualified consultant to perform an ongoing asset quality review of the Bank. The review should be completed and a report provided to the Board within ninety (90) days of engagement.

(7) Prior to the appointment or employment of any individual to this asset quality review position or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed consultant and the draft of the engagement letter setting out the proposed terms of employment, to the ADC for a prior written determination of no supervisory objection.

(8) The requirement to submit information and the provisions for prior written determination of no supervisory objection in this Article are based on the authority of 12 U.S.C. § 1818(b)(6) and do not require the Comptroller or the ADC to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE V-- CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days the Board shall seek to obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE and the Letter, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners.

(2) Within thirty (30) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE and the Letter, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;

- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
- (f) ensuring that loans secured by liens on interests in real estate comply with the appraisal requirements of 12 CFR 34 – Real Estate Lending and Appraisals.

(4) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.

(5) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office.

ARTICLE VI-- CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE and the Letter, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners.

(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 and the Letter, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners 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 fifty thousand dollars (\$50,000) shall be forwarded to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the program.

(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 fifty thousand dollars (\$50,000);
- (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 ADC on a quarterly basis (in a format similar to Appendix One, 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 and the Letter, in any internal or external loan review, or in any list provided to management by the National Bank Examiners and whose aggregate loans or other

extensions exceed fifty thousand dollars (\$50,000) *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.

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 establish a 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) an estimate of inherent loss exposure on each credit in excess of fifty thousand dollars (\$50,000);
- (e) loan loss experience;
- (f) changes in the trend of the volume and severity of past due and classified loans; and trends in the volume of nonaccrual loans, troubled debt restructurings, and other loan modifications;
- (g) changes in lending policies and procedures, including underwriting standards and collection, charge off, and recovery practices;
- (h) concentrations of credit in the Bank;
- (i) present and prospective economic conditions; and,
- (j) changes in the experience, ability, and depth of lending management and staff.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, 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.

(3) A copy of the Board's program shall be submitted to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the program.

ARTICLE VIII-- 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 loan policies concerning underwriting standards and problem loan identification and classification;
- (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 and adequately staffed, with respect to both 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 submitted to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the program.

ARTICLE IX-- THREE-YEAR BUSINESS PLAN

(1) Within sixty (60) days, the Board shall prepare, implement, and thereafter ensure Bank adherence to a written three-year business plan that shall include a projection of major balance sheet and income statement components, and shall provide for injections of equity capital, as necessary. The business plan shall also include a written profit plan and a detailed budget. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, contemplated strategies and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments that the Bank intends to promote or develop. Procedures shall also be established to monitor the Bank's actual results against these projections and to provide for appropriate adjustments to the budget and profit plan. The plan shall set forth specific time frames for the accomplishment of these objectives.

(2) A copy of the plan shall be submitted to the ADC for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the program.

ARTICLE X-- CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by September 30, 2006, 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 twelve percent (12%) of risk-weighted assets;

(b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 (Prompt Corrective Action) pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to, a three year capital program. The program shall include:

(a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);

(b) 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;

(c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

(d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;

- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and,
- (f) 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 ADC. Upon receiving a determination of no supervisory objection from the ADC, the Bank shall implement and adhere to the dividend policy.

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

ARTICLE XI-- VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited the Letter and in any subsequent Report of Examination or Periodic Monitoring Letter. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to, specific procedures to prevent future violations of laws, rules or regulation and shall adopt, implement, and ensure Bank adherence to, general procedures addressing

compliance management which incorporate internal control systems and training regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within five (5) business days after adoption, a copy of these procedures shall be forwarded to the ADC.

ARTICLE XII-- EXTENSIONS OF TIME

(1) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement.

(2) If the Bank determines that an exception to any provision of this Agreement is in the best interests of the Bank, or requires an extension of any timeframe within this Agreement, the Board shall submit a written request to the ADC requesting relief.

(3) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the ADC to exempt the Bank from any provision, or that require an extension of any timeframe within this Agreement. All such requests shall be accompanied by relevant supporting documentation.

(4) The ADC's decision in granting the request is final and not subject to further review.

ARTICLE XIII-- CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the ADC for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to the Articles in this Agreement.

(3) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Agreement 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 Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (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.

(5) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency 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. The terms of this Agreement, 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.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/S/

Mark R. Holder
Assistant Deputy Comptroller
Fort Worth Field Office

8/16/06

Date

AND IN FURTHER 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/ _____ Deborah A. Adair	8/15/06 _____ Date
/S/ _____ George F. (Lin) Bearden	8/15/06 _____ Date
/S/ _____ Oscar B. Black III	8/15/06 _____ Date
/S/ _____ Billy Byers	8/15/06 _____ Date
/S/ _____ Joe E. Sharp	8/15/06 _____ Date
/S/ _____ Zan Statham	8/15/06 _____ Date