

AGREEMENT BY AND BETWEEN
Texana Bank, N.A.
Linden, Texas
and
The Comptroller of the Currency

The Texana Bank, N.A., Linden, 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.

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 pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Longview Field Office
1800 West Loop 281, Suite 306
Longview, Texas 75604

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors. 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 Agreement.

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

(3) Within forty-five (45) days of the date of this Agreement and every thirty (30) days 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 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 III

INVESTMENT PORTFOLIO ACTIVITY

(1) Within sixty (60) days of the date of this Agreement, the Board shall revise the Investment Policy, internal control processes, and MIS reports to include the following items, and shall thereafter ensure adherence to this policy:

- (a) prudent investment risk diversification guidelines and concentration limits for private label collateralized mortgage obligations (CMOs);
- (b) a written contingency 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.
- (c) obtain 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 prior to the date of this Agreement;

- (d) obtain an independent, pre-purchase analysis of any investment security purchased by the Bank, consistent with OCC Bulletins 98-20 (Supervisory Policy Statement on Investment Securities and End-User Derivatives Activities) and 2002-19 (Unsafe and Unsound Investment Portfolio Practices: Supplemental Guidance);
- (e) develop MIS reports to include the following:
 - (i) quarterly independent valuations of each private label CMO that includes at least two (2) different sources; and
 - (ii) monthly reports that detail the securities ratings from all Nationally Recognized Statistical Rating Organization (including Moody's, Standard & Poor's, and Fitch.

(2) Upon completion, the Bank's revised Investment Policy and internal control process 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 policy and processes. Copies of the MIS reports and any pre-purchase analysis or validation performed in accordance with paragraph (1) above shall be forwarded to the Assistant Deputy Comptroller.

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

- (a) the private label CMO analysis performed by the Bank's broker;
- (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.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE IV

RECOGNITION OF OTHER-THAN-TEMPORARY IMPAIRMENT

(1) Within thirty (30) 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. 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 to hold the security for a period of time needed to recover its amortized cost basis;
- (d) whether the Bank will more likely than not be required to sell the security before the recovery of its amortized cost basis;

- (e) downgrades in securities from investment grade to below investment grade or other sudden and significant downgrades;
- (f) the financial condition of the issuer;
- (g) 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;
- (h) significant reductions in cash flows;
- (i) any failure to make scheduled interest or principal payments;
- (j) changes in tax laws, regulations, or other governmental policies significantly affecting the issuer; and
- (k) forecasts of economic, market or industry trends.

(3) For those securities with impairment that is determined to be other-than-temporary, impairment shall be recognized in accordance with GAAP.

(4) For securities with impairment that are adversely affected by the factors listed in paragraph (2) and are determined to not have other than temporary impairment, 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) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE V

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by June 30, 2009 and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets;¹
and
- (b) Tier 1 capital at least equal to ten percent (10%) of risk weighted assets.

(2) 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;

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

- (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 12 U.S.C. §§ 56 and 60; and
 - (ii) when the Bank is in compliance with its approved capital program;
or
 - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(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.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VI

DEPENDENCE ON WHOLESale OR CREDIT SENSITIVE LIABILITIES

(1) Within sixty (60) days the Bank shall develop a plan designed to improve the Bank's liquidity position and maintain adequate sources of stable funding given the Bank's anticipated liquidity and funding needs. Such actions shall include, but not be limited to:

- (a) reduction of wholesale or credit sensitive liabilities and/or increase of liquid assets; and
- (b) revision of the Bank's strategic plan in light of the requirement of this Article.

ARTICLE VII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller 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) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) 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.

(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/

Marshall W. Mitchell
Assistant Deputy Comptroller
Longview Field Office

4/29/2009

Date

