

AGREEMENT BY AND BETWEEN  
Citizens National Bank of Texas  
Waxahachie, Texas  
and  
The Comptroller of the Currency

Citizens National Bank of Texas, Waxahachie, 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 has found unsafe and unsound banking practices relating to concentrations of credit and problem loan administration at the Bank.

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 to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, 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  
Dallas Field Office  
17300 Dallas Parkway, Suite 2020  
Dallas, Texas 75248

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) The Board shall ensure that the bank continues to maintain a Compliance Committee of at least five (5) directors, the majority of which shall be outside directors who are not employees or controlling shareholders 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. 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 sixty (60) days of the date of this Agreement and quarterly 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

#### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by June 30, 2011 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 leverage capital at least equal to nine percent (9%) of adjusted total assets.<sup>1</sup>

(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 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within sixty (60) days, the Board shall ensure the Bank’s implementation of and adherence to an expanded three year capital program as detailed in paragraphs (4) and (5) below.

(4) The Bank’s three year capital program shall continue to include, at a minimum:

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<sup>1</sup> 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.

- (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; and
  - (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs.
- (5) The Bank's three-year capital program shall be expanded to include:
- (a) contingency plans that identify alternative methods should the primary source(s) under subparagraph (d) of paragraph (4) above not be available; and
  - (b) a dividend policy that permits the declaration of a dividend only:
    - (i) when the Bank is in compliance with its approved expanded 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 in the event that the Bank's capital ratios are less than the minimum levels established in paragraph (1) of this Article<sup>2</sup>. Upon receiving a determination of

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<sup>2</sup> The bank shall be deemed to have been notified of its capital levels as of the most recent date: (1) a Consolidated Report of Condition and Income (Call Report) is required to be filed with the OCC; (2) a final ROE is delivered to the bank; or (3) written notice is provided by the OCC to the bank of its capital levels.

no supervisory objection from the Assistant Deputy Comptroller,  
the Bank shall implement and adhere to the dividend policy.

(6) Upon completion, the Bank's expanded 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 expanded 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.

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

#### ARTICLE IV

##### CRITICIZED ASSETS

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

(2) The Board shall ensure that the Bank (subject to Board review and ongoing monitoring) continues to ensure adherence to a written program designed to reduce the level of criticized assets to a level deemed satisfactory.

(3) Any changes to the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written 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 program.

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

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds five hundred thousand dollars (\$500,000);
- (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.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

## ARTICLE V

### CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with "Concentration of Credits" booklet of the Comptroller's Handbook. The program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet to identify any concentrations of credit;
- (b) a written analysis of any concentration of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risks;

- (c) a written assessment of the adequacy of the bank's capital in light of risks arising from each of the concentrations of credit identified above;
- (d) policies and procedures to control and monitor concentrations of credit;
- and
- (e) an action plan approved by the Board and designed to timely reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the "Loan Portfolio Management" booklet of the Comptroller's Handbook.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (b) and that the analysis demonstrate that the concentration will not subject the Bank to undue credit or interest rate risk.

(4) The Board shall submit a copy of all materials required as per this article 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 action plan.

(5) 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

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall continue to review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall continue to maintain a program for the maintenance of an adequate Allowance. This review and program shall be maintained consistent

with the comments on maintaining a proper Allowance found in OCC Bulletin 2006-47: Allowance for Loan and Lease Losses (ALLL) (dated Dec. 13, 2006) and the attached “Interagency Policy Statement on the Allowance for Loan and Lease Losses” and “Questions and Answers on Accounting for Loan and Lease Losses”, 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. 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) 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 VII

### LIQUIDITY

(1) Within sixty (60) days, the Board shall develop and implement an asset liquidity enhancement plan designed to increase the amount of asset liquidity maintained by the Bank. Among other things, the plan shall include the timeline and means by which the Bank will lower and thereafter maintain its loan to deposit ratio (net of brokered deposits) to no greater than ninety percent (90%).

(2) A copy of the Board's asset liquidity enhancement plan shall be submitted to the Assistant Deputy Comptroller for review and 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 plan.

(3) The Board shall review the Bank's liquidity on a quarterly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit, including large uninsured deposits;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans;
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations; and

(g) geographic disbursement of and risk from brokered deposits.

(4) The Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Quarterly reports shall set forth liquidity requirements and sources. Copies of these reports shall be forwarded quarterly to the Assistant Deputy Comptroller.

## ARTICLE VIII

### 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/  
\_\_\_\_\_  
Michael K. Hughes  
Assistant Deputy Comptroller  
Dallas Field Office

5/26/2011  
\_\_\_\_\_  
Date

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.

<u>/S/</u> Dorothy S. Brown-Hekking	<u>7/22/11</u> Date
<u>/S/</u> S.F. Chapman	<u>5/26/11</u> Date
<u>/S/</u> Jeannette Singleton Cloyd	<u>5/26/11</u> Date
<u>/S/</u> Yomi Fayiga	<u>5/26/11</u> Date
<u>/S/</u> N.B. Jordan, Jr.	<u>5/26/11</u> Date
<u>/S/</u> Patti Junkin	<u>5/26/11</u> Date
<u>/S/</u> J. Michael Lee	<u>5/26/11</u> Date
<u>/S/</u> Pat Merrill	<u>5/26/11</u> Date
<u>/S/</u> Daniel G. O'Donnell	<u>5/26/11</u> Date
<u>/S/</u> Jim Odom	<u>5/26/11</u> Date
<u>/S/</u> James R. Pitts	<u>7/22/11</u> Date
<u>/S/</u> Bob Seeds	<u>5/26/11</u> Date
<u>/S/</u> George H. Singleton	<u>5/26/11</u> Date

/S/

Shirley K. Singleton

5/26/11

Date

/S/

Marvin E. Singleton, III

5/26/11

Date