

PATRIOT BANCSHARES, INC.

(a Texas corporation)

26,038 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B,  
Par Value \$0.50 Per Share

and

1,302 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series C,  
Par Value \$0.50 Per Share

**PLACEMENT AGENCY AGREEMENT**

March 31, 2014

Sandler O'Neill & Partners, L.P.  
Stifel, Nicolaus & Company, Incorporated  
as Placement Agents

c/o Sandler O'Neill & Partners, L.P.  
1251 Avenue of the Americas, 6<sup>th</sup> Floor  
New York, New York 10020

and

Stifel, Nicolaus & Company, Incorporated  
237 Park Ave, 8th Floor  
New York, New York 10017

Ladies and Gentlemen:

PATRIOT BANCSHARES, INC., a Texas corporation (the "Company"), Patriot Bank, a Texas state banking association (the "Bank"), and the United States Department of the Treasury (the "Selling Shareholder") each confirms its agreement (this "Agreement") with Sandler O'Neill & Partners, L.P. ("Sandler O'Neill") and Stifel, Nicolaus & Company, Incorporated ("Stifel," and collectively with Sandler O'Neill, the "Placement Agents") with respect to the direct sale by the Selling Shareholder to one or more Winning Bidders (as defined in Section 2(a) hereof) and the placement, as agent of the Selling Shareholder, by the Placement Agents of 26,038 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, par value \$0.50 per share, of the Company (the "Series B Securities"), and 1,302 Shares of Fixed Rate Cumulative Perpetual

Preferred Stock, Series C, par value \$0.50 per share, of the Company (the "Series C Securities," and collectively with the Series B Securities, the "Securities").

**Offers in the auction for the Securities (the "Auction") will only be made to potential investors who are (i) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act of 1933, as amended (the "1933 Act")) that are organized under the laws of a state of the U.S. or the District of Columbia, (ii) institutions or other entities that are "accredited investors" that meet the standards in Rule 501(a)(1), (2), (3) or (7) under the 1933 Act and having total assets or assets under management of not less than \$25,000,000, that are organized under the laws of a state of the U.S. or the District of Columbia or (iii) directors or executive officers of the Company who or which, in each case, meet the suitability requirements set forth in the bidder letter provided by each bidder (each, a "Bidder"), a form of which is attached hereto as Schedule A (each, a "Bidder Letter") and are resident in the U.S., and such offers and the sale of the Securities to the Winning Bidder(s) will be made without registration under the 1933 Act.**

This Agreement, the Company's Articles of Incorporation, as amended, including as amended by the respective Certificates of Designations with respect to the Class B Securities and the Class C Securities (collectively, the "Charter"), and the Company's Amended and Second Restated Bylaws (the "By-Laws") are referred to herein, collectively, as the "Operative Documents."

#### SECTION 1. Representations and Warranties.

(a) *Representations and Warranties by the Company.* The Company represents and warrants to the Winning Bidder(s), each Placement Agent and the Selling Shareholder, at the date of execution of this Agreement, on the date (the "Pricing Date") and at the time that the clearing price for the Securities is determined in accordance with Section 2(a) hereof (the "Applicable Time") and the Closing Time (as defined below) (each, a "Representation Date"), and agrees with the Winning Bidder(s), each Placement Agent and the Selling Shareholder, as follows:

(i) Financial Statements. Except as disclosed in Schedule B, the financial statements of the Company and the Bank, filed with their respective regulators during the past five fiscal years and any interim periods since the most recent fiscal year end present fairly the financial position of the Company and its consolidated subsidiaries and the Bank at the dates and for the periods of such statements; such financial statements have been prepared in conformity with the requirements of the applicable regulator, and with U.S. generally accepted accounting principles applied on a consistent basis throughout the periods involved.

(ii) No Material Adverse Change. Since the date of the last filing of financial statements by the Company or the Bank with the applicable regulator, (A) there has been no material adverse change in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business (a "Material Adverse Change") and (B) there have been no transactions entered into, or dividends or distributions declared, paid or made by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries considered as one enterprise.

(iii) Good Standing of the Company. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Texas and has all requisite corporate power and authority to own, lease and operate its properties, to conduct its business and to enter into and perform its obligations under, and to consummate the transactions contemplated in, the Operative Documents and the Securities. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure so to qualify or to be in good standing would not, singly or in the aggregate, result in a material adverse effect (A) in the condition, financial or otherwise, or in the earnings, business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (B) on the ability of the Company to enter into and perform its obligations under, or consummate the transactions contemplated in, the Operative Documents (a "Material Adverse Effect"). The Company is duly registered as a bank holding company under the Bank Holding Company Act of 1956, as amended. No change to the Charter and By-Laws is contemplated or has been authorized or approved by the Company or its stockholders.

(iv) Good Standing of Subsidiaries. Each "significant subsidiary" of the Company (as such term is defined in Rule 1-02 of Regulation S-X) (including the Bank) (each, a "Significant Subsidiary" and, collectively, the "Significant Subsidiaries") has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its incorporation or other organization, has all requisite corporate power and authority to own, lease and operate its properties, to conduct its business and, in the case of the Bank, to enter into, and perform its obligations under, this Agreement and is duly qualified to transact business and is in good standing in each jurisdiction in which such qualification is required, whether by reason of the ownership or leasing of property or the conduct of business, except where the failure to so qualify or to be in good standing would not, singly or in the aggregate, result in a Material Adverse Effect. All of the issued and outstanding shares of capital stock of or other equity interests in each Significant Subsidiary have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company, directly or through subsidiaries, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity. None of the outstanding shares of capital stock of or other equity interests in any

Significant Subsidiary were issued in violation of the preemptive or similar rights of any securityholder of such Significant Subsidiary or any other entity. The only subsidiaries of the Company other than the Significant Subsidiaries are subsidiaries which, considered in the aggregate as a single subsidiary, do not constitute a "significant subsidiary" within the meaning of Rule 1-02 of Regulation S-X. The deposit accounts of each of the Company's banking subsidiaries are insured up to the applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the "FDIC") to the fullest extent permitted by law and the rules and regulations of the FDIC, and no proceeding for the revocation or termination of such insurance is pending or, to the knowledge of the Company, threatened.

(v) Regulatory Matters. Except as disclosed in Schedule B, neither the Company nor any of its subsidiaries (including the Bank) is subject or is party to, or has received any notice or advice from any Regulatory Agency (as defined below) that any of them may become subject or party to any investigation with respect to, any corrective, suspension or cease-and-desist order, agreement, consent agreement, memorandum of understanding or other regulatory enforcement action, proceeding or order with or by, or is a party to any commitment letter or similar undertaking to, or is subject to any directive by, or has been a recipient of any supervisory letter from, or has adopted any board resolutions at the request of, any Regulatory Agency that currently relates to or restricts in any material respect the conduct of their business or that in any manner relates to their capital adequacy, credit policies, management or business (each, a "Regulatory Agreement"), nor has the Company or any of its subsidiaries been advised by any Regulatory Agency that it is considering issuing or requesting any Regulatory Agreement. Except as disclosed in Schedule B, there is no unresolved violation, criticism or exception by any Regulatory Agency with respect to any report or statement relating to any examinations of the Company or any of its subsidiaries. Except as disclosed in Schedule B, the Company and its subsidiaries are in compliance in all material respects with all laws administered by the Regulatory Agencies. As used herein, the term "Regulatory Agency" means any federal or state agency charged with the supervision or regulation of depository institutions or holding companies of depository institutions, or engaged in the insurance of depository institution deposits, or any court, administrative agency or commission or other authority, body or agency having supervisory or regulatory authority with respect to the Company or any of its subsidiaries.

(vi) Capitalization. The authorized, issued and outstanding shares of capital stock of the Company are as set forth in the last filing of financial statements by the Company with the applicable regulator. The outstanding shares of capital stock of the Company, including the Securities, have been duly authorized and validly issued and are fully paid and non-assessable. None of the outstanding shares of capital stock of the Company, including the Securities, were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other entity.

(vii) Authorization of Agreement. This Agreement has been duly authorized, executed and delivered by each of the Company and the Bank.

(viii) Filing of Certificates of Designations; Form of Certificates. The respective Certificates of Designations for the Class B Securities and the Class C Securities have been duly filed with the Secretary of State of the State of Texas. The respective forms of certificates representing the Class B Securities and the Class C Securities comply with the requirements of Texas state law, the Charter and the By-Laws.

(ix) Absence of Violations, Defaults and Conflicts. Neither the Company nor any of its subsidiaries (including the Bank) is (A) in violation of its charter, by-laws or similar organizational document, (B) except as disclosed in Schedule B, in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, deed of trust, loan or credit agreement, note, lease or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which it or any of them may be bound or to which any of the properties, assets or operations of the Company or any of its subsidiaries is subject (collectively, "Agreements and Instruments"), except for such defaults that would not, singly or in the aggregate, result in a Material Adverse Effect, or (C) except as disclosed in Schedule B, in violation of any law, statute, rule, regulation, judgment, order, writ or decree of any arbitrator, court, governmental body, regulatory body, administrative agency (including, without limitation, each applicable Regulatory Agency) or other authority, body or agency having jurisdiction over the Company or any of its subsidiaries or any of their respective properties, assets or operations (each, a "Governmental Entity"), except for such violations that would not, singly or in the aggregate, result in a Material Adverse Effect. The execution, delivery and performance of the Operative Documents and the consummation of the transactions contemplated in this Agreement and compliance by the Company and the Bank with their respective obligations under the Operative Documents have been duly authorized by the Company and the Bank, as the case may be, by all requisite action and do not and will not, whether with or without the giving of notice or passage of time or both, conflict with or constitute a breach of, or default or Repayment Event (as defined below) under, or result in the creation or imposition of any lien, charge or encumbrance upon any properties, assets or operations of the Company or any of its subsidiaries pursuant to, the Agreements and Instruments (except for such conflicts, breaches, defaults or Repayment Events or liens, charges or encumbrances that would not, singly or in the aggregate, result in a Material Adverse Effect), nor will such action result in any violation of the provisions of the charter, by-laws or similar organizational document of the Company or any of its subsidiaries or any law, statute, rule, regulation, judgment, order, writ or decree of any Governmental Entity. As used herein, a "Repayment Event" means any event or condition which gives the holder of any note, debenture or other financing instrument (or any person acting on such holder's behalf) the right to require the repurchase, redemption or repayment of all or a portion of the related financing by the Company or any of its subsidiaries.

(x) Absence of Proceedings. There is no action, suit, proceeding, inquiry or investigation before or brought by any Governmental Entity now pending, or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, which could, singly or in the aggregate, result in a Material Adverse Effect.

(xi) Absence of Further Requirements. Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), no filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the Company or the Bank to enter into, or perform their respective obligations under, the Operative Documents or the consummation of the transactions contemplated in this Agreement, except such as have been already obtained, including, without limitation, the registration under the 1933 Act of the offer, sale and delivery of the Securities by the Selling Shareholder through the Placement Agents to the Winning Bidder(s) in accordance with this Agreement and the Bidder Letter(s). If any directors or executive officers of the Company are intending to bid in the Auction, the Company has delivered to the Selling Shareholder and the Placement Agents, prior to the date hereof, evidence sufficient to the Selling Shareholder and the Placement Agents that such directors and/or executive officers of the Company have complied and will comply with the requirements under applicable state securities law.

(xii) Environmental Laws. Except as would not, singly or in the aggregate, result in a Material Adverse Effect, (A) neither the Company nor any of its subsidiaries is in violation of any applicable law, rule, regulation or policy relating to pollution or protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (collectively, "Environmental Laws"), (B) the Company and its subsidiaries have all permits, authorizations and approvals required under any applicable Environmental Laws to conduct their respective businesses, (C) there are no pending or threatened administrative, regulatory or judicial actions, investigation or proceedings relating to any Environmental Law against the Company or any of its subsidiaries and (D) there are no events or circumstances that would reasonably be expected to form the basis of an order for clean-up or remediation, or an action, suit or proceeding by any private party or Governmental Entity, against or affecting the Company or any of its subsidiaries relating to any Environmental Laws.

(xiii) Payment of Taxes. All United States federal income tax returns of the Company and its subsidiaries required by law to be filed have been filed and all taxes shown by such returns or otherwise assessed, which are due and payable, have been paid, except assessments against which appeals have been or will be promptly taken and as to which adequate reserves have been provided. The Company and its subsidiaries have filed all other tax returns that are required to have been filed by them pursuant to applicable foreign, state, local or other law except insofar as the failure to file such returns would not, singly or in the aggregate, result in a Material Adverse Effect, and has paid all taxes due pursuant to such returns or pursuant to any assessment received by the

Company or any of its subsidiaries, except for such taxes, if any, as are being contested in good faith and as to which adequate reserves have been established by the Company.

(xiv) Investment Company Act. Neither the Company nor the Bank is required, or upon the consummation of the transactions contemplated in this Agreement will be required, to register as an "investment company" under the Investment Company Act of 1940, as amended (the "1940 Act").

(xv) Foreign Corrupt Practices Act. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is aware of or has taken any action, directly or indirectly, that would result in a violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (the "FCPA"), including, without limitation, making use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office, in contravention of the FCPA and the Company, its subsidiaries and, to the knowledge of the Company, its other affiliates have conducted their businesses in compliance with the FCPA and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith.

(xvi) Money Laundering Laws. The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with applicable financial recordkeeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, the money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity (collectively, the "Money Laundering Laws"). No action, suit or proceeding by or before any Governmental Entity involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the best knowledge of the Company, threatened which would reasonably be expected to have a Material Adverse Effect.

(xvii) OFAC. None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer, agent, employee, affiliate or other person acting on behalf of the Company or any of its subsidiaries is (A) an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union, Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions") or (B) located, organized or resident in a country or territory that is the subject of Sanctions.

(xviii) Dividend Payments. Except as disclosed in Schedule B, neither the Company nor any subsidiary of the Company is currently prohibited, directly or indirectly, under any order of any Regulatory Agency (other than orders applicable to bank or savings and loan holding companies and their subsidiaries generally), under any applicable law, or under any agreement or other instrument to which it is a party or is subject, from paying any dividends on any of its capital stock (including the Securities in the case of the Company, and any dividends to the Company in the case of any subsidiary of the Company), from making any other distribution on the Company's or such subsidiary's capital stock, or in the case of any subsidiary, from repaying to the Company or any other subsidiary of the Company any loans or advances to such subsidiary or from transferring any of such subsidiary's properties, assets or operations to the Company or any other subsidiary of the Company. As of the date of this Agreement and as further described in Schedule B, the Company has not declared and paid (and has not sought and received any and all necessary regulatory or other approvals to declare and pay), and for the foreseeable future after the date of this Agreement does not intend to declare and pay (and does not intend to seek any and all necessary regulatory or other approvals to declare and pay), each scheduled dividend payment on the Securities.

(b) *Intention to Bid for or Repurchase Securities.*

(i) Intention to Bid. Except as disclosed in Schedule B, neither the Company nor any officers and directors of the Company intends to submit bids for the Securities in the Auction.

(ii) Redemption or Repurchase of Securities. As disclosed in Schedule B, the Company may repurchase or redeem the Securities subject to certain conditions.

(c) *Representations and Warranties by the Selling Shareholder.* The Selling Shareholder represents and warrants to, and agrees with, the Company, the Winning Bidder(s) and each Placement Agent at each Representation Date as follows:

(i) Good and Marketable Title. The Selling Shareholder now has and at the Closing Time will have good and marketable title to the Securities to be sold by it, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of the Securities. Upon the delivery of, against payment for, the Securities pursuant to this Agreement and the Bidder Letter with each Winning Bidder and, assuming a Winning Bidder does not have notice of any adverse claim (within the meaning of the Uniform Commercial Code as in effect in the State of New York), such Winning Bidder will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.



(ii) Authorization of Agreement. The Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement has each been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

(iii) Absence of Further Requirements. No consent, approval or waiver is required under any instrument or agreement to which the Selling Shareholder is a party or by which the Selling Shareholder is bound in connection with the Auction, the offering and sale by the Selling Shareholder and the purchase by a Winning Bidder of any of the Securities under this Agreement or the Bidder Letter with such Winning Bidder or the consummation by the Selling Shareholder of any of the other transactions contemplated under this Agreement or such Bidder Letter.

(d) *Officer's Certificates.* Any certificate signed by any officer of the Company or any of its subsidiaries (including the Bank) and delivered to the Winning Bidder(s) and/or the Placement Agents shall be deemed a representation and warranty by the Company and, if applicable, the Bank to the Winning Bidder(s) and the Placement Agents as to the matters covered thereby.

## SECTION 2. Sale and Delivery of Securities; Closing.

(a) *Securities.* On the basis of the representations, warranties and covenants contained herein and in each Bidder Letter, and subject to the terms and conditions contained herein and in the Auction Procedures described in each Bidder Letter, the Selling Shareholder agrees to sell, and each Placement Agent agrees to use commercially reasonable efforts to place, the number of Securities at the clearing price, in each case, determined in accordance with the Auction Procedures, directly to the Bidder or Bidders that the Placement Agents and the Selling Shareholder determine, pursuant to the Auction Procedures, has won the Auction (each such Bidder, a "Winning Bidder"); provided that the Selling Shareholder may, in its discretion, determine not to sell any Securities upon completion of the Auction. The Selling Shareholder shall notify the Placement Agents whether it has decided to sell the Securities in the Auction as promptly as practicable after completion of the Auction and determination of the clearing price, as well as the specific number of Securities it has decided to sell.

(b) *Compensation.* The Company shall not be responsible for the payment of any fees to the Placement Agents hereunder for the services to be provided by the Placement Agents in connection with the Auction.

(c) *Payment.* Payment of the purchase price for, and delivery of certificates for, the Securities shall be made at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, or at such other place as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder, at 9:00 A.M. (New York City time) on the seventh business day after the Pricing Date, or such

other time not later than ten business days after such date as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder (such time and date of payment and delivery being herein called "Closing Time").

Prior to the Closing Time, the Selling Shareholder, or a Placement Agent, if so directed by the Selling Shareholder, will provide payment and wire transfer instructions to the Winning Bidder(s). At or prior to the Closing Time, each Winning Bidder shall make payment to the Selling Shareholder by wire transfer of immediately available funds in accordance with such instructions against delivery at the Closing Time to such Winning Bidder of certificates for the Securities in physical form registered in the name of such Winning Bidder or its authorized agent or nominee.

Notwithstanding anything to the contrary contained herein, neither Placement Agent shall have any obligation to purchase any Securities from the Selling Shareholder or have any liability, to the Selling Shareholder or otherwise, in the event that a Winning Bidder fails to consummate the purchase of the Securities.

**SECTION 3. Covenants of the Company.** The Company covenants with the Winning Bidder(s), each Placement Agent and the Selling Shareholder as follows:

(a) *Update of Information.* If, prior to the Closing Time, any event shall occur or condition shall exist which would, singly or in the aggregate, result in a Material Adverse Effect the Company will promptly give the Winning Bidder(s), the Placement Agents and the Selling Shareholder written notice of such event or condition and effects therefrom, as well as copies of any related documentation.

(b) *Blue Sky Qualifications.* The Company will use its best efforts, in cooperation with the Placement Agents and the Selling Shareholder, to qualify the Securities for offering and sale under the applicable securities laws of such states as the Placement Agents and the Selling Shareholder may reasonably designate and to maintain such qualifications in effect so long as required to complete the placement of the Securities; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation or as a dealer in securities in any jurisdiction in which it is not so qualified or to subject itself to taxation in respect of doing business in any jurisdiction in which it is not otherwise so subject.

(c) *Restriction on Sale of Securities.* During a period of 30 days from the date of this Agreement, the Company will not, without the prior written consent of the Placement Agents, (i) directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any shares of preferred stock or any securities convertible into or exercisable or exchangeable for preferred stock or file any registration statement under the

1933 Act with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of preferred stock, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of preferred stock or such other securities, in cash or otherwise.

(d) *Registrar; Transfer Agent.* The Company will serve as registrar and transfer agent for the Securities.

#### SECTION 4. [Intentionally Omitted]

#### SECTION 5. Payment of Expenses.

(a) *Expenses.* The Company will pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including (i) the preparation, issuance and delivery of the certificates for the Securities in physical form to each Winning Bidder, including any stock or other transfer taxes and any stamp or other duties payable upon the sale, issuance or delivery of the Securities to such Winning Bidder, (ii) the fees and disbursements of the Company's counsel and other advisors, (iii) the qualification of the Securities under securities laws in accordance with the provisions of Section 3(b) hereof, (iv) the fees and expenses of the registrar and transfer agent for the Securities, (v) the costs and expenses of any state securities law analysis in connection with the transactions contemplated by this Agreement, and (vi) the costs and expenses (including, without limitation, any damages or other amounts payable in connection with legal or contractual liability) associated with the reforming of any contracts for sale of the Securities caused by a breach of the representation contained in Section 1(a)(i) hereof.

(b) *Termination of Agreement.* If this Agreement is terminated by the Placement Agents in accordance with the provisions of Section 6 or Section 10(a)(i) hereof, the Company shall reimburse the Placement Agents for all of their out-of-pocket expenses, including the reasonable fees and disbursements of counsel for the Placement Agents.

(c) *Other Agreement.* The provisions of this Section 5 shall not supersede or otherwise affect any agreement that the Company and the Selling Shareholder may otherwise have entered into for the allocation of such expenses between them.

SECTION 6. Conditions of Placement Agents' and Selling Shareholder's Obligations. The obligations of the Placement Agents and the Selling Shareholder hereunder are subject to the following conditions:

(a) *Accuracy of Representations and Warranties; Performance of Covenants.* At the Closing Time, the representations and warranties contained herein or in certificates of any officer

of the Company or any of its subsidiaries (including the Bank) delivered pursuant to the provisions hereof, shall be true and correct, when made, and at the Closing Time, and the Company shall have performed its covenants and other obligations hereunder.

(b) *Opinion of Counsel for Company.* At the Closing Time, the Placement Agents and the Selling Shareholder shall have received the favorable opinion, dated the Closing Time, of Harris Law Firm PC, counsel for the Company, in form and substance satisfactory to the Placement Agents and the Selling Shareholder, to the effect set forth in Exhibit A hereto and to such further effect as counsel to the Placement Agents and the Selling Shareholder may reasonably request.

(c) *Officers' Certificate.* At the Closing Time, there shall not have been, since the date hereof or since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator, any Material Adverse Change, and the Placement Agents and the Selling Shareholder shall have received a certificate of the Chief Executive Officer or the President and of the chief financial or chief accounting officer of the Company, dated the Closing Time, to the effect set forth in Exhibit B hereto.

(d) *Evidence of Blue Sky Compliance.* If any directors or executive officers of the Company are intending to bid in the Auction, the Company shall have delivered to the Selling Shareholder and the Placement Agents, prior to the date hereof, evidence sufficient to the Selling Shareholder and the Placement Agents that such directors and/or executive officers of the Company have complied and will comply with the requirements under applicable state securities law.

(e) *Maintenance of Rating.* Since the execution of this Agreement, there shall not have been any decrease in or withdrawal of the rating of any securities of the Company or any of its subsidiaries (including the Bank) by any "nationally recognized statistical rating organization" (as defined for purposes of Section 3(a)(62) of the 1934 Act) or any notice given of any intended or potential decrease in or withdrawal of any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.

(f) *Determination of Clearing Price.* The Selling Shareholder and the Placement Agents shall have determined, in writing, the clearing price for the Securities in the Auction.

(g) *Reissuance of Securities.* The Company shall have reissued the Securities, in the respective numbers determined in accordance with the Auction Procedures, in physical form in the name of each Winning Bidder or its authorized agent or nominee.

(h) *Additional Documents.* At the Closing Time, all proceedings taken by the Company and the Bank in connection with this Agreement shall be satisfactory in form and substance to the Selling Shareholder and the Placement Agents.

(i) *Termination of Agreement.* If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled or will not have been fulfilled when and as required to be fulfilled, the obligations of the Placement Agents may be terminated by the Placement Agents by notice to the Company and the Selling Shareholder at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party except as provided in Section 5 and except that Sections 1, 7, 8, 9, 14, 15 and 16 shall survive any such termination and remain in full force and effect.

#### SECTION 7. Indemnification.

(a) *Indemnification of Agents.* The Company and the Bank, jointly and severally, agree to indemnify and hold harmless each Placement Agent, its affiliates (as such term is defined in Rule 501(b) promulgated under the 1933 Act (each, an "Affiliate")), selling agents, partners, officers and directors, each person, if any, who controls a Placement Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Selling Shareholder and the Selling Shareholder's agents, including, without limitation, Houlihan Lokey Capital, Inc. (the "Financial Agent") as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of (1) the engagement as Placement Agent under this Agreement, (2) any untrue statement or alleged untrue statement of a material fact included in any information provided by the Company or its subsidiaries to the Bidders, or the omission or alleged omission in such information (or any amendment or supplement thereto) of a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading or (3) the breach or alleged breach of any representation, warranty or covenant of the Company or the Bank under this Agreement;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or of any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission; provided that (subject to Section 7(c) hereof) any such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred (including the fees and disbursements of counsel chosen by the Placement Agents), reasonably incurred in investigating, preparing or defending against any litigation, or any investigation or

proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, or any such alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above.

(b) *Actions against Parties; Notification.* Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability hereunder to the extent it is not materially prejudiced as a result thereof and in any event shall not relieve it from any liability which it may have otherwise than on account of this indemnity agreement. In case any such action is brought against any indemnified party and such indemnified party seeks or intends to seek indemnity from an indemnifying party, the indemnifying party will be entitled to participate in and, to the extent that it shall elect, jointly with all other indemnifying parties similarly notified, by written notice delivered to the indemnified party promptly after receiving the aforesaid notice from such indemnified party, to assume the defense thereof with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that a conflict may arise between the positions of the indemnifying party and the indemnified party in conducting the defense of any such action or that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties. Upon receipt of notice from the indemnifying party to such indemnified party of such indemnifying party's election so to assume the defense of such action and approval by the indemnified party of counsel, the indemnifying party will not be liable to such indemnified party under this Section 7 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless (i) the indemnified party shall have employed separate counsel in accordance with the proviso to the immediately preceding sentence (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (together with local counsel), approved by the indemnifying party (or by the Placement Agents in the case of Section 8 hereof), representing the indemnified parties who are parties to such action) or (ii) the indemnifying party shall not have employed counsel satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, in each of which cases the fees and expenses of counsel shall be at the expense of the indemnifying party. No indemnifying party shall, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever in respect of which indemnification or contribution could be sought under this Section 7 or Section 8 hereof (whether or not the indemnified parties are actual or potential parties thereto), unless such settlement, compromise or consent (i) includes an unconditional release of each indemnified party from all liability arising out of such litigation, investigation, proceeding or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party.

(c) *Settlement without Consent if Failure to Reimburse.* If at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel, such indemnifying party agrees that it shall be liable for any settlement of the nature contemplated by Section 7(a)(ii) effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request, (ii) such indemnifying party shall have received notice of the terms of such settlement at least 30 days prior to such settlement being entered into and (iii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request (other than those fees and expenses that are being contested in good faith) prior to the date of such settlement.

(d) *Exclusion.* Notwithstanding the foregoing, the indemnification provided for in this Section 7 and the contribution provided for in Section 8 shall not apply to the Bank to the extent that such indemnification or contribution, as the case may be, by the Bank is found by any Regulatory Agency, or in a final judgment by a court of competent jurisdiction, to constitute a transaction that is subject to the provisions of Section 23A or Section 23B of the Federal Reserve Act.

**SECTION 8. Contribution.** If the indemnification provided for in Section 7 hereof is for any reason unavailable to or insufficient to hold harmless an indemnified party in respect of any losses, liabilities, claims, damages or expenses referred to therein, then each indemnifying party shall contribute to the aggregate amount of such losses, liabilities, claims, damages and expenses incurred by such indemnified party, as incurred, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, from the offering of the Securities pursuant to this Agreement or (ii) if the allocation provided by clause (i) is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations.

The relative benefits received by the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, in connection with the offering of the Securities pursuant to this Agreement shall be deemed to be in the same respective proportions as the total net proceeds from the offering of the Securities pursuant to this Agreement (before deducting expenses) received by the Company, the Bank and the Selling Shareholder, on the one hand, and the total placement fees received by the Placement Agents, on the other hand, bear to the aggregate initial offering price of the Securities.

The relative fault of the Company, the Bank and the Selling Shareholder, on the one hand, and the Placement Agents, on the other hand, shall be determined by reference to, among other things, whether any such untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company, the

Bank or the Selling Shareholder or by the Placement Agents, as the case may be, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by pro rata allocation (even if the Placement Agents were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8. The aggregate amount of losses, liabilities, claims, damages and expenses incurred by an indemnified party and referred to above in this Section 8 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in investigating, preparing or defending against any litigation, or any investigation or proceeding by any Governmental Entity, commenced or threatened, or any claim whatsoever based upon any such untrue or alleged untrue statement or omission or alleged omission.

Notwithstanding the provisions of this Section 8, neither Placement Agent shall be required to contribute any amount in excess of the placement fees received by such Placement Agent in connection with the Securities sold through it as agent.

No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section 8, each person, if any, who controls a Placement Agent within the meaning of Section 15 of the 1933 Act or Section 20 of the 1934 Act and each Placement Agent's Affiliates, selling agents, partners, officers and directors shall have the same rights to contribution as such Placement Agent. The Placement Agent's respective obligations to contribute pursuant to this Section 8 are several in proportion to the number of Securities sold through each of them as agent, and not joint.

**SECTION 9. Representations, Warranties and Agreements to Survive.** All representations, warranties and agreements contained in this Agreement, or in certificates of officers of the Company or any of its subsidiaries (including the Bank) submitted pursuant hereto, shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of a Placement Agent or its Affiliates, partners, officers, directors and or selling agents, any person controlling a Placement Agent or any person controlling the Company or the Selling Shareholder or any representative of the Selling Shareholder and (ii) delivery of and payment for the Securities.

**SECTION 10. Termination of Agreement.**



(a) *Termination.* The Placement Agents may terminate this Agreement, by notice to the Company and the Selling Shareholder, at any time at or prior to the Closing Time, (i) if there has been, in the judgment of the Placement Agents, since the time of execution of this Agreement or since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator, any Material Adverse Change, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Placement Agents, impracticable or inadvisable to proceed with the completion of the offering of the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading generally on the New York Stock Exchange or in the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Securities and Exchange Commission, FINRA or any other Governmental Entity, or (iv) if a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States or with respect to Clearstream or Euroclear systems in Europe, or (v) if a banking moratorium has been declared by either Federal, New York or Texas authorities.

(b) *Liabilities.* If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party except as provided in Section 5 hereof, and provided further that Sections 1, 7, 8, 9, 14, 15 and 16 shall survive such termination and remain in full force and effect.

SECTION 11. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Placement Agents shall be directed to Sandler O'Neill at 1251 Avenue of the Americas, 6<sup>th</sup> Floor, New York, New York 10020, attention of General Counsel, and Stifel at 237 Park Avenue, 8th Floor, New York, New York 10017, attention of Ben Plotkin, with a copy to Capital Markets Legal; notices to the Company and the Bank shall be directed to it at 7500 San Felipe St., Suite 125, Houston, Texas 77063 attention of W. Don Ellis, with a copy to T. Alan Harris, Harris Law Firm PC, 600 Congress Ave. Suite 200, Austin, Texas 78701; and notices to the Selling Shareholder shall be directed to it at 1500 Pennsylvania Avenue, N.W., Washington, D.C. 20220, Attention: Chief Counsel, Office of Financial Stability, facsimile number (202) 927-9225.

SECTION 12. No Advisory or Fiduciary Relationship. Each of the Company and the Bank acknowledges and agrees that (a) the transaction contemplated by this Agreement, including the determination of the offering price of the Securities and any related commissions, is an arm's-length commercial transaction between the Company and the Bank, on the one hand, and the Placement Agents, on the other hand, (b) in connection with the offering of the Securities and the process leading thereto, neither Placement Agent is or has been acting as a principal, agent or fiduciary of the Company or any of its subsidiaries or any of their respective

stockholders, creditors or employees or any other party, (c) neither Placement Agent has assumed or will assume an advisory or fiduciary responsibility in favor of the Company or any of its subsidiaries, including the Bank, with respect to the offering of the Securities or the process leading thereto (irrespective of whether such Placement Agent has advised or is currently advising the Company or any of its subsidiaries, including the Bank, on other matters) or any other obligation to the Company or any of its subsidiaries, including the Bank, with respect to the offering of the Securities, (d) the Placement Agents and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Company and the Bank, and (e) the Placement Agents have not provided any legal, accounting, financial, regulatory or tax advice with respect to the offering of the Securities and each of the Company and the Bank has consulted its own respective legal, accounting, financial, regulatory and tax advisors to the extent it deemed appropriate.

SECTION 13. Parties. This Agreement shall inure to the benefit of and be binding upon the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and the successors and the controlling persons, Affiliates, selling agents, officers and directors referred to in Sections 7 and 8 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Placement Agents, the Company, the Bank, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and such successors, controlling persons, Affiliates, selling agents, officers and directors, heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Securities shall be deemed to be a successor by reason merely of such purchase. The Placement Agents, the Company, the Bank, the Selling Shareholder and the Winning Bidder(s) agree that the Financial Agent shall be an express third party beneficiary of this Agreement, and entitled to enforce any rights granted to the Financial Agent hereunder as if it were a party hereto.

SECTION 14. Trial by Jury. Each of the parties hereto other than the Selling Shareholder (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 15. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK), PROVIDED THAT ALL RIGHTS AND OBLIGATIONS OF THE SELLING SHAREHOLDER UNDER THIS AGREEMENT SHALL BE GOVERNED BY,

AND CONSTRUED IN ACCORDANCE WITH, THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA.

SECTION 16. Consent to Jurisdiction. Each of the parties hereto other than the Selling Shareholder agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any Specified Court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of the Specified Courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party's address set forth above shall be effective service of process for any suit, action or proceeding brought in any Specified Court. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any such suit, action or proceeding brought in any Specified Court has been brought in an inconvenient forum.

SECTION 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 18. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

PATRIOT BANCSHARES, INC.

By: 

Name: W. Don Ellis

Title: Chairman and CEO

PATRIOT BANK

By: 

Name: W Don Ellis

Title: Chairman and CEO

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_

Name:

Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

SANDLER O'NEILL & PARTNERS, L.P.,  
as Placement Agent

By: Sandler O'Neill & Partners Corp.,  
the sole general partner

By: \_\_\_\_\_

Name:

Title:

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

PATRIOT BANCSHARES, INC.

By: \_\_\_\_\_  
Name:  
Title:

PATRIOT BANK

By: \_\_\_\_\_  
Name:  
Title:

UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_  
Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

SANDLER O'NEILL & PARTNERS, L.P.,  
as Placement Agent

By: Sandler O'Neill & Partners Corp.,  
the sole general partner

By: \_\_\_\_\_  
Name:  
Title:

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent, the Company, the Bank and the Selling Shareholder in accordance with its terms.

Very truly yours,

PATRIOT BANCSHARES, INC.

By: \_\_\_\_\_  
Name:  
Title:

PATRIOT BANK

By: \_\_\_\_\_  
Name:  
Title:


UNITED STATES DEPARTMENT OF  
THE TREASURY, as Selling Shareholder

By: \_\_\_\_\_  
Name:  
Title:

CONFIRMED AND ACCEPTED,  
as of the date first above written:

SANDLER O'NEILL & PARTNERS, L.P.,  
as Placement Agent

By: Sandler O'Neill & Partners Corp.,  
the sole general partner

By:   
Name: ROBERT A. KLEINERT  
Title: AN OFFICER OF THE CORPORATION

STIFFEL, NICOLAUS & COMPANY, INCORPORATED,

A large black rectangular redaction box covering the signature of the authorized signatory.

Authorized Signatory

SCHEDULE A

Form of Bidder Letter



## SCHEDULE B

### Disclosure Schedules

#### Section 1(a)(v) – Regulatory Matters

On November 17, 2011, the Company and Patriot Holdings Nevada, Inc., predecessor by merger to the Company's subsidiary Patriot Texas Holdings, Inc. ("Holdings"), executed a written agreement (the "Written Agreement") with the Federal Reserve Bank of Dallas and the Texas Department of Banking. A copy of the Written Agreement is attached as Attachment 1 to this Disclosure Schedule. The Written Agreement was designed to maintain the financial soundness of the Company and Holdings and, among other things, requires the Company and Holdings to act as a source of strength to the Bank; prohibits the Company and Holdings from declaring or paying any dividends without the prior written approval of the Federal Reserve Bank of Dallas and the Director of Banking Supervision Regulation of the Board of Governors of the Federal Reserve (collectively, the "Federal Reserve") and the Texas Department of Banking; prohibits the Company and Holdings from directly or indirectly taking any dividends or any other form of payment representing a reduction in the Bank's capital without the prior written approval of the Federal Reserve and the Texas Department of Banking; prohibits the Company, Holdings, and any nonbank subsidiaries from making any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Federal Reserve and the Texas Department of Banking; prohibits the Company, Holdings, and any nonbank subsidiaries from directly or indirectly incurring, increasing or guaranteeing any debt without the prior written approval of the Federal Reserve and the Texas Department of Banking; prohibits the Company and Holdings from directly or indirectly purchasing or redeeming any shares of their respective stock without the prior written approval of the Federal Reserve and the Texas Department of Banking; requires the Company to submit, and to promptly implement and comply with once approved, an acceptable written capital maintenance plan to the Federal Reserve Bank of Dallas and the Texas Department of Banking; requires the Company to notify the Federal Reserve Bank of Dallas and the Texas Department of Banking in writing no more than 30 days after the Company's capital ratios fall below the approved capital plan's minimum ratios and submit an acceptable written plan detailing the steps the Company will take to increase the capital ratios to or above the approved plan's minimums; requires the Company and Holdings to comply with prior notice requirements of Section 32 of the Federal Deposit Insurance Act before appointing any new director or senior executive officer or making certain changes to the responsibilities of a senior executive officer, and also to provide such notice to the Texas Department of Banking; requires the Company and Holdings to comply with the restrictions on indemnification and severance payments of the Federal Deposit Insurance Act and implementing regulations; and requires the Company and Holdings to submit progress reports regarding compliance with the Written Agreement to the Federal Reserve Bank of Dallas and the Texas Department of Banking, as well as parent company financial statements, within 45 days after the end of each calendar quarter. Except as would not result in a Material Adverse Effect, the Company and Holdings are not in violation of any of the terms of the Written Agreement.

### Section 1(a)(ix) – Absence of Violations, Defaults and Conflicts

The representations and warranties in subsection (B) of this section are hereby qualified and limited as follows: Although the Company and the Bank do not believe that this constitutes a default under the Securities Purchase Agreement between the Company and Treasury dated December 19, 2008 or the respective Certificates of Designations for the Class B Securities and the Class C Securities, we call to your attention that the Company has not paid dividends on the Securities since the fourth quarter of 2010.

The Company remains subject to the Written Agreement as described in Section 1(a)(v) of this Schedule B.

### Section 1(a)(xviii) – Dividend Payments

The representations and warranties in this section are hereby qualified and limited as follows:

*The Company's Ability to Pay Dividends is Subject to Contractual and Regulatory Restrictions, and We Have Not Paid Dividends Since the Fourth Quarter of 2010.* The Written Agreement prohibits the Company and Holdings from declaring or paying any dividend, making any payment of interest on the Company's junior subordinated debentures, or receiving any dividend from the Bank, without the prior written consent of the Federal Reserve and the Texas Department of Banking. In addition, the Bank has agreed not to pay dividends without the prior written approval of the FDIC and the Texas Department of Banking. As of December 31, 2013, the accumulated and unpaid dividends on the Securities (together with interest owing on such unpaid dividends) totaled approximately \$4.8 million.

*Moreover, we have not paid interest on the debentures underlying our trust preferred securities since the fourth quarter of 2010, and we cannot pay any dividends until interest on the debentures is current.* As of December 31, 2013, the Company had an aggregate of \$22,166,000 in two issuances of junior subordinated debentures outstanding that were issued to the Company's subsidiary trusts. The subsidiary trusts purchased the junior subordinated debentures from the Company using the proceeds from the sale of trust preferred securities to third party investors and the sale of common stock in the trusts to the Company. Payments of the principal and interest on the trust preferred securities are conditionally guaranteed by the Company to the extent not paid or made by the trusts, provided the trust has funds available for such obligations. The holders of the Company's junior subordinated debentures have rights that are senior to those of the Company's shareholders, including the holders of the Securities. As a result, the Company must make payments on the junior subordinated debentures (and the related trust preferred securities) before any cash dividends can be paid on the Company's capital stock, including the Securities and, in the event of the Company's bankruptcy, dissolution or liquidation, the holders of the debentures must be satisfied before any cash distributions can be made to the holders of the Preferred Stock or Common Stock.

Due to the prohibitions of the Written Agreement, to the lack of dividends from the Bank, and to previous consultations with the Federal Reserve Bank of Dallas, the Company has not paid interest on the junior subordinated debentures (and has not sought the regulatory approvals needed to pay such interest) since the fourth quarter of 2010. The total accrued interest on the Company's two series of junior subordinated debentures, including compounded interest on the deferred payments, totaled approximately \$1.5 million at December 31, 2013. The Company is allowed to defer payments of interest for 20 quarterly periods on the junior subordinated debentures without default or penalty, but such amounts will continue to accumulate.

*The Company's ability to pay dividends is dependent upon the Bank's ability to pay dividends to the Company, and the Bank's ability to pay dividends also is subject to restrictions.* As noted above, the Written Agreement prohibits the Company and holdings from receiving any dividend from the Bank without the prior written approval of the Federal Reserve and the Texas Department of Banking. Further, the Bank has informally agreed not to pay dividends without the prior written approval of the FDIC and the Texas Department of Banking. There can be no assurance that such approvals can be obtained.

In light of all the foregoing considerations, the Company does not intend to declare and pay, or seek any and all regulatory or other approvals necessary to declare and pay, the scheduled dividend payments on the Securities, or the past scheduled dividend payments on the Securities that are in arrears, at any time in the foreseeable future, because the Company will not be able to declare and pay such dividends until (i) the Written Agreement is rescinded and/or the required approvals to for the Holdings and the Company to pay dividends, and to receive dividends from the Bank, can be obtained from the applicable Regulatory Agencies, (ii) the Company has paid in full all deferred interest payments on its junior subordinated debentures and such dividend payments are otherwise permitted under the instruments governing the junior subordinated debentures, (iii) the Bank is able to obtain approval from the applicable Regulatory Agencies to pay dividends, and (iv) the payment of such dividends is compatible with the Company's and the Bank's regulatory capital requirements, as the same may be revised and/or supplemented by formal or informal regulatory guidance or directives, and other relevant regulatory, supervisory, risk management, economic, and market considerations.

The terms of the Securities provide that if dividends on the Securities are not paid for six quarters, whether or not consecutive, the holders of the Securities have the right, together with holders of shares of any preferred stock outstanding at the time upon which like voting rights have been conferred and are exercisable, to vote to elect two members to the board of directors of the Company. Also, the special voting rights associated with the Securities allow the holders to vote as a class for directors separate from the owners of the common and other voting securities. Therefore, the Securities may be considered "voting securities" for purposes of the Bank Holding Company Act of 1956, as amended and the Change in Bank Control Act.

#### Section 1(b)(i) – Director and Officer Bidding

The Company and the Bank have no knowledge of any directors or officers of the Company intending to submit bids for the Securities in the Auction.

#### Section 1(b)(ii) – Issuer Redemption or Repurchase

The Company may redeem the Securities, at any time following the third anniversary of their original issue date, and after sending the holder(s) notice thereof meeting certain requirements, in whole or in part, at its option, subject to prior approval by the appropriate federal banking agency, for cash, for a redemption price equal to 100% of the liquidation preference amount per share of the Securities plus any accrued and unpaid dividends to but excluding the date of redemption.

As described above, under the instruments governing the Company's junior subordinated debentures, the Company may not redeem or repurchase any shares of its capital stock, including the Securities, if it is exercising its contractual right to defer payments of interest on such debentures, and if the Company is not in default of its obligations under such instruments. The Company is currently exercising this right, and has not paid interest on its junior subordinated debentures, since the fourth quarter of 2010. Thus, the Company is prohibited from redeeming any of its stock, including the Securities, until it pays it pays all deferred interest payments on the junior subordinated debentures in full.

In addition, the Written Agreement requires the prior written consent of the Federal Reserve Bank of Dallas and the Texas Department of Banking prior to the Company redeeming or repurchasing any of its shares of capital stock, including the Securities.

Moreover, the Company's financial ability to redeem shares of its capital stock, including the Securities, may depend on its ability to receive dividends from Holdings and the Bank. The Written Agreement prohibits the Company and Holdings from receiving any dividends from the Bank, and prohibits Holdings from paying any dividends, without the prior written consent of the Federal Reserve and the Texas Department of Banking. Moreover, the Bank has informally committed not to pay any dividends without the prior written approval of the FDIC and the Department of Banking.

The Company's ability to redeem the Securities will depend on then-present facts and circumstances and the amount of capital it holds or can raise at the holding company level. As noted above, the Company, Holdings, and the Bank have agreed with the applicable Regulatory Agencies to maintain capital ratios well above those that are required for "well capitalized" status. In order for the Company to obtain approval from the applicable Regulatory Agencies to redeem the Securities, we would expect that such agencies would require the Company to satisfy its capital commitments to them, if any, after giving effect to the redemption of the Securities so approved.

In light of all the foregoing considerations, the Company has not applied for regulatory approval to redeem or repurchase any of the Securities. However, in the event that the Company is able to satisfy the contractual and regulatory requirements referenced above, there can be no guarantee that the Company will not exercise its right to redeem the Securities at any time, and holders of the Securities should have no expectation that the Securities will remain outstanding for any particular period of time.

Attachment 1 to Disclosure Schedules

Written Agreement With Federal Reserve Bank of Dallas  
and Texas Department of Banking

(Attached)

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

BANKING COMMISSIONER  
OF THE  
TEXAS DEPARTMENT OF BANKING  
AUSTIN, TEXAS

Written Agreement by and among

PATRIOT BANCSHARES, INC.  
Houston, Texas

PATRIOT HOLDINGS NEVADA, INC.  
Reno, Nevada

FEDERAL RESERVE BANK OF DALLAS  
Dallas, Texas

and

BANKING COMMISSIONER OF THE  
TEXAS DEPARTMENT OF BANKING  
Austin, Texas

Docket No. 11-108-WA/RB-HC  
Commissioner Order 2011-030

WHEREAS, Patriot Bancshares, Inc., Houston, Texas (“Bancshares”) and Patriot Holdings Nevada, Inc., Reno, Nevada (“Holdings”), registered bank holding companies, own and control Patriot Bank, Houston, Texas (“Bank”), a state-chartered, nonmember bank;

WHEREAS, Bancshares owns and controls various nonbank subsidiaries;

WHEREAS, it is the common goal of Bancshares and Holdings (collectively, “the Companies”), the Federal Reserve Bank of Dallas (the “Reserve Bank”), and the Banking Commissioner (the “Commissioner”) of the Texas Department of Banking (the “Department”) to

maintain the financial soundness of the Companies so that they may serve as a source of strength to the Bank;

WHEREAS, the Companies, the Reserve Bank, and the Commissioner have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 19, 2011, the boards of directors of the Companies, at duly constituted meetings, adopted resolutions authorizing and directing William Don Ellis, Chairman and Chief Executive Officer, to enter into this Agreement on behalf of each of the Companies, and consenting to compliance with each and every provision of this Agreement by the Companies and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, the Companies, the Reserve Bank, and the Commissioner agree as follows:

**Source of Strength**

1. The boards of directors of the Companies shall take appropriate steps to fully utilize the Companies’ financial and managerial resources, pursuant to section 38A of the FDI Act (12 U.S.C. § 1830o-1) and Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4 (a)), to ensure that the Bank complies with the Consent Order issued jointly by the Federal Deposit Insurance Corporation and the Commissioner on May 13, 2011, and any other supervisory action taken by the Bank’s federal or state regulator.

## **Dividends and Distributions**

2. (a) The Companies shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision, Regulation (the “Director”) of the Board of Governors, and the Commissioner.

(b) The Companies shall not, directly or indirectly, take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank and the Commissioner.

(c) The Companies and the nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank, the Director, and the Commissioner.

(d) All requests for prior approval shall be received by the Reserve Bank and the Commissioner at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on the Companies’ capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, the Companies must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors’ Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).



### **Debt and Stock Redemption**

3. (a) The Companies and the nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Commissioner. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) The Companies shall not, directly or indirectly, purchase or redeem any shares of their respective stock without the prior written approval of the Reserve Bank and the Commissioner.

### **Capital Plan**

4. Within 60 days of this Agreement, Bancshares shall submit to the Reserve Bank and the Commissioner an acceptable written plan to maintain sufficient capital at Bancshares on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Bank issued by the Bank's federal regulator;

(b) the adequacy of the Bank's capital, taking into account the volume of classified credits, concentrations of credit, allowance for loan and lease losses, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Bank's future capital requirements;

(d) supervisory requests for additional capital at the Bank or the requirements of any supervisory action imposed on the Bank by its federal or state regulator; and

(e) the requirements of section 38A of the FDI Act and section 225.4(a) of Regulation Y of the Board of Governors that the Companies serve as a source of strength to the Bank.

5. Bancshares shall notify the Reserve Bank and the Commissioner, in writing, no more than 30 days after the end of any quarter in which Bancshares capital ratios fall below the approved plan's minimum ratios. Together with the notification, Bancshares shall submit an acceptable written plan that details the steps that Bancshares will take to increase their capital ratios to or above the approved plan's minimums.

#### **Compliance with Laws and Regulations**

6. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Companies 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 (12 C.F.R. §§ 225.71 *et seq.*), and Bancshares shall also provide notice to the Commissioner.

(b) The Companies shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

## **Progress Reports**

7. Within 45 days after the end of each calendar quarter following the date of this Agreement, the Companies' boards of directors shall submit to the Reserve Bank and the Commissioner written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and parent company only balance sheets, income statements, and, as applicable, reports of changes in stockholders' equity.

## **Approval and Implementation of Plans**

8. (a) The Companies shall submit written plans that are acceptable to the Reserve Bank and the Commissioner within the applicable time periods set forth in paragraphs 4 and 5 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Commissioner, the Companies shall adopt the approved plans. Upon adoption, the Companies shall promptly implement the approved plans, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Commissioner.

## **Communications**

9. All communications regarding this Agreement shall be sent to:

- (a) Mr. Roy O. Weese  
Enforcement Examiner  
Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201

(b) Mr. Chris Robinson  
Review Examiner  
Texas Department of Banking  
2601 North Lamar Blvd.  
Austin, Texas 78705

(c) Mr. William Don Ellis  
Chairman and Chief Executive Officer  
Patriot Bancshares, Inc.  
Patriot Holdings Nevada, Inc.  
7500 San Felipe  
Suite 125  
Houston, Texas 77063

10. Notwithstanding any provision of this Agreement, the Reserve Bank and the Commissioner may, in their sole discretion, grant written extensions of time to the Companies to comply with any provision of this Agreement.

11. The provisions of this Agreement shall be binding upon the Companies and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

12. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Commissioner.

13. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state agency from taking any other action affecting the Companies, the Bank, any nonbank subsidiary of the Companies, or any of their current or former institution-affiliated parties and their successors and assigns.

14. The Commissioner having determined that the requirements for issuance of an order under Texas Finance Code § 35.002 have been met, this Agreement is deemed to be a consent order issued by the Commissioner under Texas Finance Code §§ 35.002, 201.009(a) and

202.005(a)(2). Without admitting or denying any charges of unsafe and unsound banking practices, or violation of applicable Texas law, the Companies consent to deeming this Agreement to be a consent order. The Companies hereby waive all their rights regarding an order under Texas Finance Code §§ 35.002, 35.004, 35.009, and 201.009, including requirements for issuance and service of an order under Texas Finance Code § 35.002, their right to a hearing under Texas Finance Code § 35.004, all defenses, and review of such order by a state agency, commission, or state or federal court.

15. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818). This Agreement is enforceable, as to the Companies, by the Commissioner as a final, non-appealable, and immediately enforceable order pursuant to the provisions of Texas Finance Code § 35.009 and other provisions of Texas law.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 17<sup>th</sup> day of November, 2011.

PATRIOT BANCSHARES, INC.

FEDERAL RESERVE BANK OF  
DALLAS

By: /s/ William Don Ellis  
William Don Ellis  
Chairman and  
Chief Executive Officer

By: /s/ Earl Anderson  
Earl Anderson  
Vice President

PATRIOT HOLDINGS NEVADA, INC.

BANKING COMMISSIONER OF THE  
TEXAS DEPARTMENT OF BANKING

By: /s/ William Don Ellis  
William Don Ellis  
Chairman and  
Chief Executive Officer

By: /s/ Charles G. Cooper  
Charles G. Cooper

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.  
and  
TEXAS DEPARTMENT OF BANKING  
AUSTIN, TEXAS

_____	)	
In the Matter of	)	CONSENT ORDER
	)	
PATRIOT BANK	)	
HOUSTON, TEXAS	)	FDIC 11-158b
	)	
(Insured State Nonmember Bank)	)	COMMISSIONER ORDER No. 2011-016
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for PATRIOT BANK, HOUSTON, TEXAS (“Bank”), under 12 U.S.C. § 1813(q).

The Texas Department of Banking ("Department") is the appropriate state banking agency for the Bank, under Texas Finance Code, Title 3, Subtitle A, §§ 31.001 et. seq.

The Bank, by and through its duly elected and acting board of directors, has executed a “STIPULATION TO THE ISSUANCE OF A CONSENT ORDER” (“STIPULATION”), dated May 13, 2011, that is accepted by the FDIC and the Banking Commissioner of Texas ("Commissioner"). With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to deterioration in asset quality, capital protection, and earnings; weaknesses in liquidity; and deficiencies in management and oversight by the board of directors, to the issuance of this CONSENT ORDER (“ORDER”) by the Regional Director of the Dallas Regional Office of the FDIC (“Regional Director”) and the Commissioner.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Texas Finance Code § 35.002 have been satisfied or waived, the FDIC and the Commissioner hereby order that:

## **MANAGEMENT – BOARD SUPERVISION**

1. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall increase its participation in Bank affairs by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The board's participation in the Bank's affairs shall include, at a minimum:

- (a) Monthly meetings in which the following areas shall be reviewed and approved by the board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, non-accrued, and recovered loans; investment activities; operating policies; and individual committee actions;
- (b) Board meeting minutes which document the board's reviews and approvals of the above reports, and which include the names of any dissenting directors;
- (c) Documentation in the board minutes that the directors have received training on their duties and responsibilities in order to ensure the safe and sound operation of the institution.

## **MANAGEMENT – SPECIFIC POSITIONS**

2. (a) Within 90 days after the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include:

- (1) A chief executive officer with a demonstrated ability in managing a bank of comparable size and with prior experience in upgrading a low quality loan portfolio;



- (2) A new Chief Credit Officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and
- (3) Such person(s) shall be provided the necessary written authority to implement the provisions of this ORDER.

The qualifications of management shall be assessed on its ability to:

- (1) Comply with the requirements of this ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in any of the Bank's directors or Senior Executive Officers. For purposes of this ORDER, "Senior Executive Officer" is defined as in Section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b). Prior to the addition of any individual to the board of directors or the employment of any individual as a Senior Executive Officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 - 303.103. Additionally, the Bank will obtain the written approval of the Commissioner prior to removing, changing, or adding any new Senior Executive Officer, other executive officers or directors.

### **CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION**

3. (a) Within 30 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the Department as a result of its examination of the Bank as of November 08, 2010. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered “collection” for the purpose of this paragraph.

(b) Within 90 days after the effective date of this ORDER, the Bank shall submit a written plan to reduce the remaining assets classified Doubtful and Substandard as of November 08, 2010 (“Classified Asset Plan”) to the Regional Director and the Commissioner for review. The Classified Asset Plan shall address each asset so classified with a balance of \$2,000,000 or greater. The Classified Asset Plan shall include any classified assets identified subsequent to the November 08, 2010 examination by the Bank internally or by the FDIC or the Department in a subsequent visitation or examination. For each identified asset, the Classified Asset Plan should provide the following information:

- (1) The name under which the asset is carried on the books of the Bank;
- (2) Type of asset;
- (3) Actions to be taken in order to reduce the classified asset; and
- (4) Time frames for accomplishing the proposed actions.

The Classified Asset Plan shall also include, at a minimum:

- (1) Review the financial position of each such borrower, including the source of repayment, repayment ability, alternate repayment sources, and a global cash flow analysis (if applicable); and

- (2) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's Classified Asset Plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the Classified Asset Plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(c) Within 30 days after the Regional Director's and the Commissioner's response, the Classified Asset Plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors which approval shall be recorded in the minutes of the meeting of the Bank's board of directors. The Bank shall then immediately initiate measures detailed in the Classified Asset Plan to the extent such measures have not been initiated.

(d) For purposes of the Classified Asset Plan, the reduction of adversely classified assets shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

- (1) Charge-off;
- (2) Collection;
- (3) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the Department; or
- (4) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future visitation or examination conducted by the FDIC or the Department. The Bank shall also update

the Classified Asset Plan as needed to reflect any assets subsequently classified as Doubtful or Substandard by the Bank internally or by the FDIC or the Department.

### **CONCENTRATIONS – PLAN FOR REDUCTION**

4. (a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and comment a written plan (“Concentrations Plan”) to reduce each of the loan concentrations of credit identified in the Report of Examination as of November 08, 2010, to not more than 300 percent of the Bank’s total Tier 1 Capital. Such Concentrations Plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

- (1) Dollar levels to which the Bank shall reduce each concentration; and
- (2) Provisions for the submission of monthly written progress reports to the Bank’s board of directors for review and notation in minutes of the meetings of the Bank’s board of directors.

(b) For purposes of the Concentrations Plan, “reduce” means to:

- (1) Charge-off;
- (2) Collect; or
- (3) Increase Tier 1 Capital.

(c) After the Regional Director and the Commissioner have responded to the Concentrations Plan, the Bank’s board of directors shall adopt the Concentrations Plan as amended or modified by the Regional Director and the Commissioner. The Concentrations Plan shall be implemented immediately to the extent that the provisions of the Concentrations Plan are not already in effect at the Bank.

## **REDUCTION OF ADVERSELY CLASSIFIED LOANS TO INSIDERS**

5. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and submit to the Regional Director and the Commissioner for review and comment a written plan to reduce the amount of loans or other extensions of credit advanced, directly or indirectly, to or for the benefit of Bank directors, executive officers, principal shareholders, or their related interests which were adversely classified in the Report of Examination as of November 08, 2010 (“Insider Loan Reduction Plan”). For purposes of the Insider Loan Reduction Plan, the terms used in this section shall have the same definition provided them in Part 215 of Regulation O, 12 C.F.R. Part 215. Such Insider Loan Reduction Plan shall include, but not be limited to:

- (1) Dollar levels to which the Bank shall reduce each extension of credit within six months and one year after the effective date of this ORDER; and
- (2) Provisions for the submission of monthly written progress reports to the Bank’s board of directors for review and notation in minutes of the meetings of the board of directors. As used in this paragraph, “reduce” means to:
  - a. Charge-off
  - b. Collect, or
  - c. Improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the Department.

(b) After the Regional Director and the Commissioner have responded to the Insider Loan Reduction Plan, the Bank’s board of directors shall adopt the Insider Loan Reduction Plan as amended or modified by the Regional Director and the Commissioner. The Insider Loan Reduction Plan will be implemented immediately to the extent that such provisions are not already

in effect at the Bank. No new loans or other extensions of credit shall be granted to or for the benefit of such insiders without first providing the Regional Director and the Commissioner 30 days prior written notification of the anticipated action.

### **RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS**

6. (a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose existing credit has been classified Loss by the FDIC or the Department as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to or for the benefit of any borrower whose extension of credit is classified Doubtful and/or Substandard by the FDIC or the Department as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of directors' meeting.

### **LOAN POLICY**

7. (a) Within 90 days after the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's loan policy and procedures for

effectiveness and, based upon this review, shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review and comment upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (1) Designating the Bank's normal trade area;
- (2) Establishing review and monitoring procedures to ensure all lending personnel are adhering to established lending procedures and that the Bank's board of directors is receiving timely and fully documented reports on loan activity, including any deviations from the established policy;
- (3) Requiring all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, a global financial analysis, and cash flow projections, and shall be maintained throughout the term of the loan;
- (4) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Report of Examination;

- (5) Requiring the establishment and maintenance of an accurate loan grading system and internal loan watch list;
- (6) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;
- (7) Prohibiting the capitalization of interest or loan-related expenses unless the Bank's board of directors formally approves such extensions of credit as being in the best interest of the Bank and provides detailed written support of its position in the Bank's board minutes;
- (8) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. Part 215 and Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3.
- (9) Requiring a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;
- (10) Requiring accurate reporting of past due loans to the Bank's board of directors on at least a monthly basis;
- (11) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and



- monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;
- (12) Establishing standards for extending unsecured credit;
  - (13) Establishing standards for the origination, renewal, or restructuring of loans to ensure well-defined payment programs including guidance on when and under what circumstances interest-only loans are appropriate;
  - (14) Incorporating collateral valuation requirements, including:
    - a. Maximum loan-to-collateral-value limitations;
    - b. A requirement that the valuation be completed prior to a commitment to lend funds;
    - c. A requirement for periodic updating of valuations; and
    - d. A requirement that the source of valuations be documented in Bank records;
  - (15) Establishing standards for initiating collection efforts;
  - (16) Establishing guidelines for timely recognition of loss through charge-off;
  - (17) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified “Substandard,” “Doubtful,” or “Loss,” whether in whole or in part, as of November 08, 2010, or by the FDIC or Department in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are supported by current and complete

financial information, and the renewal or extension has first been approved in writing by a majority of the Bank's board of directors;

- (18) Requiring that collateral appraisals be completed prior to the making of secured extensions of credit, and that periodic collateral valuations be performed for all secured loans listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any Report of Examination of the Bank by the FDIC or the Department;
- (19) Prohibiting the issuance of standby letters of credit unless the letters of credit are well secured and/or are supported by current and complete financial information;
- (20) Establishing limitations on the maximum volume of loans in relation to total assets;
- (21) Establishing review and monitoring procedures to ensure compliance with FDIC's regulation on appraisals pursuant to Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323.

(c) The Bank shall submit the foregoing policy to the Regional Director and the Commissioner for comment. After the Regional Director and the Commissioner have responded to the policy, the Bank's board of directors shall adopt the policy as amended or modified by the Regional Director and the Commissioner. The policy will be implemented immediately to the extent that the policy is not already in effect at the Bank.

## **LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS**

8. (a) Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a loan review committee to periodically review the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank's board of directors at each board meeting. This report shall include the following information:

- (1) The overall quality of the loan portfolio;
- (2) The identification, by type and amount, of each problem or delinquent loan;
- (3) The identification of all loans not in conformance with the Bank's lending policy; and
- (4) The identification of all loans to officers, directors, principal shareholders or their related interests.

(b) At least fifty percent of the members of the loan review committee shall be Independent Directors. For purposes of this ORDER, a person who is an Independent Director shall be any individual:

- (1) Who is not an officer of the Bank, any subsidiary of the Bank, or any of its affiliated organizations;
- (2) Who does not own more than 5 percent of the outstanding shares of the Bank;
- (3) Who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder;

and

- (4) Who is not indebted to the Bank, directly or indirectly, by marriage, common financial interest, or the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 Capital and Allowance for Loan and Lease Losses; or
- (5) Who is deemed to be an Independent Director for purposes of this ORDER by the Regional Director and the Commissioner.

#### **ALLOWANCE FOR LOAN AND LEASE LOSSES**

9. Within 30 days after the effective date of this ORDER, the Bank must use Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Numbers 450 and 310 (formerly Statements Numbers 5 and 114 respectively)("Number 450" and "Number 310" respectively) for determining the Bank's allowance for loan and lease losses reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank's loan portfolio. The Bank's board of directors must document with written reasons any decision not to require provisions for loan losses in the board minutes.

#### **CAPITAL MAINTENANCE**

10. (a) Within 90 days after the effective date of this ORDER and while this ORDER is in effect, the Bank, after establishing an adequate Allowance for Loan and Lease Losses, shall maintain its Tier 1 Leverage Capital ratio equal to or greater than 9.5 percent of the Bank's Average Total Assets; and shall maintain its Total Risk-Based Capital ratio equal to or greater than 13.5 percent of the Bank's Total Risk Weighted Assets.

(b) If any such capital ratios are less than required by the ORDER, as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the Department, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and the Commissioner, present to the Regional Director and the Commissioner a plan to increase the Bank's Tier 1 Capital or to take such other measures to bring all the capital ratios to the percentages required by this ORDER ("Capital Plan"). After the Regional Director and the Commissioner respond to the Capital Plan, the Bank's board of directors shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(c) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the Capital Plan, to increase its Tier 1 Capital by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within 60 days after the Regional Director and the Commissioner respond to the Capital Plan. Such increase in Tier 1 Capital and any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to November 08, 2010, by the directors and/or shareholders of the Bank or by the Bank's holding company; or
- (3) Receipt of an income tax refund or the capitalization subsequent to November 08, 2010, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director and the Commissioner.

(d) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(e) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(f) The Capital Plan must include a contingency plan (“Contingency Plan”) that shall include a plan to sell or merge the Bank in the event that the Bank:

- (1) Fails to maintain the minimum capital ratios required by the Order,
- (2) Fails to submit an acceptable Capital Plan or
- (3) Fails to implement or adhere to a Capital Plan to which no written objection was provided by the Regional Director and the Commissioner.

The Bank shall be required to implement the Contingency Plan only upon written notice from the Regional Director and the Commissioner.

(g) In addition, the Bank shall comply with the FDIC’s Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 325, App. A.

(h) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. Part 325.

### **DIVIDEND RESTRICTION**

11. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

### **PROFIT PLAN**

12. (a) Within 90 days after the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop a written profit plan (“Profit Plan”) consisting of goals and strategies for improving the earnings of the Bank for

each calendar year. The written Profit Plan shall include, at a minimum:

- (1) Identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;
- (2) Realistic and comprehensive budgets;
- (3) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (4) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(b) Such written Profit Plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. Within 30 days after the receipt of any comment from the Regional Director and the Commissioner, the Bank's board of directors shall approve the written Profit Plan which approval shall be recorded in the minutes of the Bank's board of directors. Thereafter, the Bank, its directors, officers, and employees shall follow the written Profit Plan and/or any subsequent modification.

### **LIQUIDITY/ASSET/LIABILITY MANAGEMENT**

13. (a) Within 90 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Commissioner for review and comment a written plan addressing liquidity and asset/liability management ("Liquidity Plan"). Annually thereafter, while this ORDER is in effect, the Bank shall review the Liquidity Plan for adequacy and, based upon such review, shall make necessary revisions to the Liquidity Plan to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. The initial Liquidity Plan shall include, at a minimum, provisions:



- (1) Establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;
- (2) Identifying the source and use of borrowed and/or volatile funds;
- (3) Establishing lines of credit at correspondent banks, including the Federal Reserve Bank that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;
- (4) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;
- (5) Establishing a new liquidity contingency plan by identifying alternative courses of action designed to meet the Bank's liquidity needs;
- (6) Addressing the use of borrowings (i.e., seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding channels (i.e., brokered deposits, internet deposits, Fed funds purchased and other correspondent borrowings); and
- (7) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996), and the Supervisory Policy Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) Within 30 days after the receipt of all such comments from the Regional Director and the Commissioner, and after revising the Liquidity Plan as necessary, the Bank shall adopt the Liquidity Plan, which adoption shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the Liquidity Plan.

### **CORRECTION OF VIOLATIONS**

14. (a) Within 90 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

(b) Within 90 days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

(c) Within 90 days after the effective date of this ORDER, the Bank shall address any contraventions of policy noted in the Report of Examination.

### **BUSINESS PLAN**

15. While this ORDER is in effect, the Bank shall not enter into any new line of business without the prior written consent of the Regional Director and the Commissioner.

### **SHAREHOLDER NOTIFICATION**

16. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication,

statement, or notice shall be sent to the FDIC Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

### **PROGRESS REPORTS**

17. (a) Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making additional reports.

(b) The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the Department, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of its issuance by the FDIC and the Commissioner.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the Commissioner.

This ORDER is signed by the Regional Director pursuant to delegated authority.

Issued and made effective this 13<sup>th</sup> day of May, 2011.

/s/ \_\_\_\_\_  
Kristie K. Elmquist  
Acting Regional Director  
Dallas Region  
Division of Risk Management Supervision  
Federal Deposit Insurance Corporation

/s/ \_\_\_\_\_  
Charles G. Cooper  
Commissioner  
Texas Department of Banking

FORM OF OPINION OF COMPANY'S COUNSEL  
TO BE DELIVERED PURSUANT TO SECTION 6(a)

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Texas.

(ii) The Company has corporate power and authority to enter into and perform its obligations under, and to consummate the transactions contemplated under, the Operative Documents.

(iii) The Securities have been duly authorized and validly issued and are fully paid and non-assessable and none of the Securities were issued in violation of the preemptive or other similar rights of any securityholder of the Company or any other entity.

(iv) The Placement Agency Agreement has been duly authorized, executed and delivered by each of the Company and the Bank.

(v) The respective Certificates of Designations for the Series B Securities and the Series C Securities have been duly filed with the Secretary of State of the State of Texas. The respective forms of certificates representing the Series B Securities and the Series C Securities complies in all material respects with the requirements of Texas state law, the Charter and the By-Laws.

(vi) Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), respectively, no filing with, or authorization, approval, consent, license, order, registration, qualification or decree of, any Governmental Entity is necessary or required for the Company or the Bank to enter into, or perform their respective obligations under, the Operative Documents or the consummation of the transactions contemplated in the Placement Agency Agreement, except such as have been already obtained.

(vii) The execution, delivery and performance of the Operative Documents and the consummation of the transactions contemplated in the Placement Agency Agreement and compliance by the Company and the Bank with their respective obligations under the Operative Documents do not and will not result in any violation of the provisions of the Charter, By-Laws or similar organizational documents of the Company or the Bank or any applicable law, statute, rule, regulation, judgment, order, writ or decree, known to such counsel, of any Governmental Entity.

(viii) Assuming the accuracy of the representations, warranties and covenants of the Winning Bidder(s) set forth in Section 1 of the Bidder Letter(s), it is not necessary in connection with the offer, sale and delivery of the Securities, by the Selling Shareholder through the Placement Agents to the Winning Bidder(s) in accordance with the Placement Agency Agreement and the Bidder Letter(s) to register the Securities under the 1933 Act.

Such opinion shall not state that it is to be governed or qualified by, or that it is otherwise subject to, any treatise, written policy or other document relating to legal opinions, including, without limitation, the Legal Opinion Accord of the ABA Section of Business Law (1991).

FORM OF OFFICERS' CERTIFICATE TO BE DELIVERED PURSUANT TO SECTION 6(B)

[\*], 2014

The undersigned, [\*], the [Chief Executive Officer][President] of [\*] (the "[Company][Bank]"), and [\*], the [Chief Financial Officer][Controller] of the [Company][Bank], each hereby certifies, pursuant to Section 6(b) of the Placement Agency Agreement, dated [\*], 2012, among (i) the Company, (ii) the Bank, (iii) the United States Department of the Treasury and (iv) Sandler O'Neill & Partners, L.P. and Stifel, Nicolaus & Company, Incorporated (the "Placement Agency Agreement") that:

(i) There has been no Material Adverse Change.

(ii) The representations and warranties of the Company or the Bank, as the case may be, in the Placement Agency Agreement are true and correct with the same force and effect as though expressly made at and as of the Closing Time.

(iii) The Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied at or prior to the Closing Time.

Capitalized terms used herein shall have the same meanings ascribed to them in the Placement Agency Agreement.

IN WITNESS WHEREOF, we have hereunto signed our names as of the date first written above.

**[NAME OF ISSUER]**

By: \_\_\_\_\_  
Name:  
Title: [TITLE OF OFFICER 1]

By: \_\_\_\_\_  
Name:  
Title: [TITLE OF OFFICER 2]



[1] Name of issuer, in solid capital letters  
PATRIOT BANCSHARES, INC.

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[2] Issuer's jurisdiction of incorporation, together with indefinite article  
a Texas

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[3] Number of shares to be offered, in numerals  
26,038 [Series B]  
1,302 [Series C]

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[4] Title of preferred stock, including any class or series designation  
Fixed Rate Cumulative Perpetual Preferred Stock, Series B  
Fixed Rate Cumulative Perpetual Preferred Stock, Series C

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[5] Current year  
2014

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[6] Name of issuer, in initial capital letters  
Patriot Bancshares, Inc.

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[7] Names of all banking subsidiaries of issuer  
Patriot Bank

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[8] Jurisdiction and organizational form of each banking subsidiary of issuer, together with  
indefinite article  
a Texas state banking association

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[9] Par value or stated value per share, with decimal point but without dollar sign  
0.50

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[10] Title of issuer's charter document  
Articles of Incorporation, as amended

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[11] Title of issuer's document filed with the Secretary of State of the particular jurisdiction  
that establishes the terms of the preferred stock  
Certificate of Designations

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[12] Insert either "State" or "Commonwealth" (without quotation marks), whichever is  
appropriate for the issuer's place of incorporation  
State

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[13] Issuer's jurisdiction of incorporation, without article  
Texas

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[14] Name of issuer's counsel  
Harris Law Firm PC

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[15] Name of transfer agent  
N/A

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