

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

AA-SO-2020-68

Business Bank of Texas, N.A., Austin, Texas (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules, and regulations.

The Comptroller has found unsafe and unsound banking practices relating to classified/special mention assets, credit risk management/underwriting, loan portfolio management, and problem loan identification.

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

ARTICLE I

JURISDICTION

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

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

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

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

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) The credit administration related articles of this Agreement shall supersede the Loan Portfolio Management Article in OCC #2016-069.

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

Assistant Deputy Comptroller
Office of the Comptroller of the Currency
San Antonio North Field Office
10001 Reunion Place, Suite 250
San Antonio, Texas 78216-4133

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

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

(3) Within sixty (60) days of the date of this Agreement, and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

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

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

ARTICLE III

CLASSIFIED & SPECIAL MENTION ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets designated classified or special mention in the Bank's most recent Report of Examination ("ROE"), in any subsequent ROE, by internal or external loan review, by internal problem loan identification processes, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days, the Board shall review, revise, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism in assets designated classified or special mention in the Report of Examination, in any subsequent Report of Examination, by any internal or external loan review, by internal problem loan identification processes, or in any list provided to management by the National Bank Examiners during any

examination. This program shall require the Bank to include in its workout strategy for each classified or special mention asset:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the timeframe for its accomplishment.

(3) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller within ten (10) days. Any subsequent modifications or additions to the program shall be forwarded to the Assistant Deputy Comptroller within ten (10) days of the modification or addition.

(4) Within sixty (60) days, the Bank shall establish internal control processes for approving new or renewed loans related to classified and special mention loan relationships to ensure new loans, renewals, or extensions are in the best interest of the bank.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine the status of each classified and special mention asset (or portion thereof) that equals or exceeds two hundred and fifty thousand dollars (\$250,000.00). Status updates for each classified or special mention asset (or portion thereof) that equals or exceeds two hundred and fifty thousand dollars (\$250,000.00) shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis. The status updates shall follow a format similar to Appendix A, attached hereto.

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

ARTICLE IV

CREDIT RISK MANAGEMENT & UNDERWRITING

(1) Within sixty (60) days, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a written program to improve the Bank's credit risk management. The program shall include, at a minimum, provisions for the following:

- (a) ensuring that the Chief Executive Officer or Senior Lending Officer has the knowledge, skills, ability and authority necessary to ensure appropriate oversight of the Bank's loan portfolio; and
- (b) requiring the Chief Executive Officer, or designee, to develop a plan to improve and formalize oversight of credit risk management and remediate credit risk deficiencies detailed in the Bank's Report of Examination (ROE) or any future ROE. This plan must include the following:
 - (i) an evaluation of the number and expertise of current lending staff and whether additional lending staff or expertise/oversight is necessary to achieve compliance with this Article;
 - (ii) training programs to address any identified weaknesses in the skills and abilities of the bank's lending staff and management team;

- (iii) identifying the types of loans that are considered high risk loans and reflect poor risk selection and prohibit the Bank from making such loans;
- (iv) policy guidelines or standards that define acceptable mitigating factors for policy exceptions and require documentation of these mitigating factors in loan memorandums; and
- (v) a requirement for the Board to approve the plan developed by the Chief Executive Officer.

(2) Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and ensure adherence to this Article and the written credit risk management program developed pursuant to it.

ARTICLE V

CREDIT ADMINISTRATION

(1) Within sixty (60) days, the Board shall review, revise, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to correct any deficiencies in the Bank's loan portfolio management, credit underwriting, and credit administration noted in the ROE or any future ROE;
- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;

- (c) procedures to ensure conformance with loan approval requirements;
- (d) procedures to ensure timely pre- and post-funding analysis that is comprehensive and includes a complete analysis of the borrower's background, primary source of repayment, guarantor support, and collateral value, including:
 - (i) analysis that focuses on key financial indicators (i.e., cash flow/repayment capacity, income statement trends/ratios, balance sheet analysis), in addition to other appropriate considerations for credit approval decisions and determining risk classification for loans;
 - (e) a system to track, analyze, and remedy credit, collateral, and loan documentation exceptions by loan officer;
 - (f) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers and each member of lending support staff, which adequately considers their performance relative to policy compliance, documentation standards, accuracy/timeliness of recognition of nonaccrual loans and loan grading, and other loan administration matters; and
 - (g) procedures to ensure the accuracy of internal management information systems.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

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

ARTICLE VI

PROBLEM LOAN IDENTIFICATION

(1) Within thirty (30) days, the Board shall review, revise, and thereafter ensure Bank adherence to a program to ensure lending officers identify in a timely and accurate manner nonaccrual loans and loans rated "Special Mention", "Substandard", "Doubtful", and "Loss." An acceptable program shall include:

- (a) Providing training to lending staff on recognition of nonaccrual loans and loan grading, with subsequent refresher training as needed; and
- (b) Remediating any problem loan identification or loan review deficiencies identified in the current or any future ROE.

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

ARTICLE VII

CLOSING

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

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

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

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

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

//s// Digitally Signed, Dated: 2020.10.05

NS Ward III (Scott)
Assistant Deputy Comptroller
San Antonio North Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>/s/</u>	<u>9/22/2020</u>
Windell Cannon	Date

<u>/s/</u>	<u>9/22/20</u>
Bruce Scott Chapman	Date

<u>/s/</u>	<u>September 22, 2020</u>
Dwayne Kolly	Date

<u>/s/</u>	<u>9/22/20</u>
David Sather	Date

<u>/s/</u>	<u>9/22/2020</u>
Mary (T.D.) Winters	Date

<u>/s/</u>	<u>9/28/20</u>
Robert L. Wright, Jr	Date

APPENDIX A
Business Bank of Texas, N.A.
Austin, Texas

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds two hundred fifty thousand dollars (\$250,000) and retain the original in the credit file for review by the examiners. Submit your reports **quarterly** until notified otherwise, in writing, by the Assistant Deputy Comptroller.