

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of)	
)	
SYNERGY BANK, S.S.B.)	CONSENT ORDER
MCKINNEY, TEXAS)	
)	FDIC 10-235b
(Insured State Savings Bank))	
)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Synergy Bank, S.S.B., McKinney, Texas (“Bank”), under 12 U.S.C. § 1813(q).

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 March 18, 2011, that has been accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, to the issuance of this CONSENT ORDER (“ORDER”) by the Regional Director of the FDIC’s Dallas Regional Office (“Regional Director”). Further, the Texas Department of Savings and Mortgage Lending (“Commissioner”) concurred in the issuance of the Stipulation and supports the issuance of this ORDER.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

STRATEGIC PLAN

1. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan. The strategic plan required by this paragraph

shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address:

- (1) Strategies for pricing policies and asset/liability management;
- (2) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;
- (3) Goals for reducing problem loans and concentrations of credit;
- (4) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and
- (5) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the strategic plan to the Regional Director and the Commissioner for review and comment. After consideration all such comments, the Bank shall approve the plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement and follow the strategic plan.

(d) Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's board of directors' meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised and submitted to the Regional Director and the Commissioner for review and comment if circumstances

warrant a revised Strategic Plan. Within 30 days after receipt of all such comments from the Regional Director and the Commissioner and after consideration of all such comments, the Bank shall adopt and implement a revised Strategic Plan, which adoption shall be recorded in the minutes of the Bank's board of director's meeting.

CAPITAL MAINTENANCE

2. (a) While this ORDER is in effect, the Bank, after establishing an Allowance for Loan and Lease Losses ("ALLL"), shall maintain a Tier 1 Leverage Capital ratio equal to or greater than 8.0 percent of the Bank's Average Total Assets and a Total Risk-Based Capital ratio equal to or greater than 12.0 percent of the Bank's Total Risk Weighted Assets.

(b) In addition, the Bank's strategic plan outlined in paragraph 1 must include a contingency plan ("Capital Plan") in the event that the Bank fails to maintain the minimum capital ratios required by the ORDER.

(c) 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 State, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director or the Commissioner, present to the Regional Director and the Commissioner a Revised Capital Plan to increase the capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Commissioner respond to the Revised Capital Plan, the Bank's board of directors shall adopt and implement the Revised Capital Plan.

(d) Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the Revised Capital Plan, to increase its

capital or decrease assets sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within 180 days after the Regional Director and the Commissioner respond to the Revised Capital Plan. Any increase in 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 January 19, 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 January 19, 2010, of a bona fide tax refund certified as being accurate by a certified public accounting firm;
- (4) Any other method approved by the Regional Director and the Commissioner; or
- (5) Any combination of the methods listed in (1) through (4) above.

(e) If all or part of the increase in 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, if necessary, 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 Revised Capital 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 Revised Capital 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 to be sold by the Bank 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 Revised Capital Plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in 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.

(f) 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.

(g) 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

3. 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.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

4. (a) 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 examination conducted by the FDIC or the State. 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 60 days after the effective date of this ORDER, the Bank shall submit a written plan to the Regional Director and the Commissioner to reduce the assets classified Doubtful and Substandard ("Classified Asset Plan"). The plan shall address each asset so classified with a balance of \$500,000 or greater and provide the following:

- (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 adversely classified asset or sufficiently improve the quality of the adversely classified asset so as to warrant removing any adverse classification; and
- (4) Time frames for accomplishing the proposed actions.

The plan shall also include, at a minimum:

- (1) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; 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 as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL, 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 of the Classified Asset Plan by the Bank's board of directors.

(c) The Bank shall present the Classified Asset Plan to the Regional Director and the Commissioner for review. 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.

(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 ALLL 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; or

- (4) Increase in the Bank's Tier 1 Capital.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

5. (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 State 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 State 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.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. Prior to the end of each calendar quarter, the Bank's board of directors shall review the adequacy of the Bank's ALLL. Such reviews shall include, at a minimum, the Bank's loan loss experience, an estimate of potential loss exposure in the portfolio, trends of delinquent

and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's board of directors' meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL. The methodology for determining the Bank's ALLL adequacy must conform to generally accepted accounting principles and the Interagency Policy Statement on the Allowance for Loan and Lease Losses. The directorate must document with written reasons any decision not to require provisions for loan losses in the board minutes.

CONCENTRATIONS

7. While this Order is in effect, the Bank shall operate within the limits for concentrations of Construction & Development Loans and Commercial Real Estate loans as set forth by the Bank on July 30, 2009, and approved by the Regional Director on August 17, 2009 ("Concentration Plan"). If the Bank exceeds the approved concentration limits in the Concentration Plan, the board of directors shall develop within 45 days a written plan to reduce such concentrations ("Concentration Reduction Plan") to 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 Concentration Reduction Plan, which approval shall be recorded in the minutes of the Bank's board of directors.

PROFIT PLAN

8. (a) Within the first 60 days of each calendar year end, 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, after consideration of such comments, the Bank's board of directors shall adopt and implement the written profit plan which adoption 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.

INTEREST RATE RISK

9. While this ORDER is in effect, the Bank shall effectively monitor interest rate risk, comply with Board-approved policies relating to interest rate risk, and provide directors with quarterly reports that adequately describe the Bank's exposure to interest rate risk.

LIQUIDITY / FUNDS MANAGEMENT

10. While this ORDER is in effect, the Bank shall effectively monitor liquidity and its overall funds management, comply with Board-approved policies relating to liquidity and funds management, including the Bank's net non-core funding dependence, and provide directors with monthly reports that adequately describe the Bank's position and risk in these areas.

MANAGEMENT – BOARD SUPERVISION

11. The Bank's board of directors shall continue its enhanced participation in the affairs of the Bank 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, review and approval of reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrued, and recovered loans; investment activities; concentrations of credit; operating policies; and individual committee actions. The Bank's board of directors' minutes shall document the board's reviews and approvals, noting the names of any dissenting directors.

CORRECTION OF VIOLATIONS

12. Within 60 days after the effective date of this ORDER, the Bank shall eliminate and/or correct, if not previously eliminated or corrected, the violations of law and regulation noted in the Report of Examination of the Bank.

COMPLIANCE COMMITTEE

13. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a subcommittee of the board of directors charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The subcommittee shall report monthly to the entire board of directors of the Bank, and a copy of the report and any discussion related to the report or the ORDER shall be included in the minutes of the Bank's board of directors' meeting. Nothing contained herein shall diminish the responsibility of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

SHAREHOLDER NOTIFICATION

14. 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 shareholder (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, and to the Texas Department of Savings and Mortgage Lending, 2601 North Lamar, Suite 201, Austin, Texas 78705, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC and the State shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

15. Within 45 days after the end of the first calendar quarter following the effective date of this ORDER, and within 45 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 Commissioner have released the Bank in writing from making additional reports.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC 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 issuance.

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 terminated, suspended, or set aside by the FDIC.

Issued pursuant to delegated authority this 18th day of March, 2011.

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