

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Frontier Bank of Texas (In Organization)
Elgin, Bastrop County, Texas
Application for Federal Deposit Insurance

ORDER

The undersigned, acting on behalf of the Board of Directors pursuant to delegated authority, has fully considered all available facts and information relevant to the factors of Section 6 of the Federal Deposit Insurance Act and relating to the application for Federal deposit insurance for Frontier Bank of Texas, a proposed new bank to be located at 1213 North Highway 290, Elgin, Bastrop County, Texas 78621, and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED, for the reasons set forth in the attached Statement, that the application submitted by Frontier Bank of Texas for Federal deposit insurance be and the same hereby is approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$20,000,000 be provided;
- (2) That the Tier 1 capital to assets leverage ratio will be maintained at not less than eight percent throughout the first three years of operation and that an adequate allowance for loan and lease losses will be provided;
- (3) That any changes in proposed management or proposed ownership (10 percent or more of stock), including new acquisitions of or subscriptions to 10% or more of the stock, shall be approved by the FDIC prior to opening;
- (4) That an accrual accounting system be adopted for maintaining the bank's books;
- (5) That the applicant will have adequate fidelity coverage;
- (6) That the bank obtain an audit of its financial statements by an independent public accountant annually for at least the first three years after deposit insurance coverage is effective, furnish a copy of any reports by the independent auditor (including any management letters) to the Dallas Regional Office within 15 days after their receipt by the bank, and notify the Regional Office within 15 days when a change in its independent auditor occurs;
- (7) That Federal deposit insurance shall not become effective unless and until the applicant has been established as a State bank (not a member of the Federal Reserve System), that it has authority to conduct a banking business, and that its establishment and operation as a bank have been fully approved by the State Authority;

- (8) That the bank shall operate within the parameters of the business plan submitted to the FDIC. Furthermore, during the first three years of operations, the bank shall notify the Regional Director of any proposed significant deviation or material change from the submitted plan at least 60 days before consummation of the change.
- (9) That until the bank is established, the FDIC has the right to alter, suspend, or withdraw its commitment should any interim development be deemed to warrant such action; and,
- (10) That if deposit insurance has not become effective within twelve months from the date of this ORDER, or unless, in the meantime, a request for an extension of time has been approved by the FDIC, the consent granted shall expire at the end of the said twelve-month period.

Dated at Dallas, Texas, this 17th day of January 2007.

FEDERAL DEPOSIT INSURANCE CORPORATION

By: _____ /s/
Stan Ivie
Regional Director
Dallas Regional Office

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In Re: Frontier Bank of Texas (In Organization)
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Application for Federal Deposit Insurance

STATEMENT

Pursuant to the provisions of Section 5 of the Federal Deposit Insurance Act (12 U.S.C. § 1815), an application for Federal deposit insurance has been filed for Frontier Bank of Texas, a proposed new state-chartered bank to be located at 1213 North Highway 290, Elgin, Bastrop County, Texas 78621.

The Bank intends to become a full-service community bank providing traditional services to its target market, which consists of local individuals, small businesses, and agricultural-related activities. The applicants are cognizant of and intend to fully comply with the Community Reinvestment Act.

For the purposes of this proposal, capital is adequate, projections for future earnings prospects are favorable, management is considered satisfactory, and the investment in fixed assets is reasonable. Corporate powers to be exercised are consistent with the purpose of the Federal Deposit Insurance Act. No formal objections to this proposal have been filed with the FDIC, and no undue risk to the insurance fund is apparent.

Accordingly, based upon careful evaluation of all available facts and information, the Regional Director, acting under delegated authority, has concluded that approval of the application is warranted, subject to certain prudential conditions.

**REGIONAL DIRECTOR
DALLAS REGIONAL OFFICE
DIVISION OF SUPERVISION AND CONSUMER PROTECTION
FEDERAL DEPOSIT INSURANCE CORPORATION**