

FEDERAL DEPOSIT INSURANCE CORPORATION

In Re: Pioneer Bank, SSB
(In Organization)
Dripping Springs, Texas
Application for Federal Deposit Insurance
Deposit Insurance Fund

ORDER

The undersigned, acting on behalf of the Board of Directors of the Federal Deposit Insurance Corporation 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 through the Deposit Insurance Fund for Pioneer Bank, SSB, a proposed new state savings bank to be located at 100 Creek Road, Dripping Springs, Hays County, Texas and has concluded that the application should be approved.

Accordingly, it is hereby ORDERED that the application submitted by Pioneer Bank for Federal deposit insurance be and the same is hereby approved subject to the following conditions:

- (1) That beginning paid-in capital funds of not less than \$7,000,000 be provided, of which not less than \$6,300,000 shall be allocated to common capital and not less than \$700,000 to surplus;
- (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 of 10% or more of stock, including new acquisitions of or subscriptions to 10% or more of the stock be approved by the FDIC prior to opening;
- (4) 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 major deviation or material change from the submitted plan 60 days before consummation of the change;
- (5) That an accrual accounting system be adopted for maintaining the bank's books;
- (6) That Federal deposit insurance shall not become effective unless and until the applicant has been granted a charter, has authority to conduct a depository institution business, and its establishment and operation as a depository institution has been fully approved by the appropriate state and/or federal authority;
- (7) That, if applicable, the applicant has submitted any proposed contracts, leases, or agreements relating to construction or rental of permanent quarters to the Regional Director for review and comments;

- (8) That a registered or proposed bank holding company will obtain approval of the Board of Governors of the Federal Reserve System prior to its acquisition of 5% or more of voting stock control of the institution;
- (9) That, where applicable, full disclosure has been made to all proposed directors and stockholders of the facts concerning the interest of any insider in any transactions being effected or then contemplated, including the identity of the parties to the transaction and the terms and cost involved. An insider is one who is or is proposed to be a director, officer, or incorporator of an applicant; a shareholder who directly or indirectly controls 10 or more percent of any class of the applicant's outstanding voting stock; or the associates or interests of any such person;
- (10) That for two years following the effective date of deposit insurance, the Bank must obtain prior approval of the Regional Director for any additional executive officers or directors. Interagency Biographical and Financial Reports must be submitted a minimum of 60 calendar days before that person is to be engaged.
- (11) That the applicant will have adequate fidelity coverage;
- (12) That the bank will 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;
- (13) That a complete list of the stockholders be provided, including the respective number of shares owned and percentage in relation to the total shares outstanding;
- (14) That until the bank is established, the Corporation shall have the right to alter, suspend, or withdraw the said commitment should any interim development be deemed to warrant such action; and
- (15) 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 Corporation, the consent granted shall expire at the end of the said twelve-month period.

Dated at Washington, D.C., this 23rd day of April 2007.

FEDERAL DEPOSIT INSURANCE CORPORATION

By: _____ /s/

M. Anthony Lowe
Acting Regional Director
Division of Supervision and Consumer Protection