

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

TEXAS DEPARTMENT OF BANKING  
AUSTIN, TEXAS

Written Agreement by and among

MESQUITE FINANCIAL SERVICES, INC.  
Alice, Texas

FEDERAL RESERVE BANK OF DALLAS  
Dallas, Texas

and

TEXAS DEPARTMENT OF BANKING  
Austin, Texas

Docket No. 17-014-WA/RB-HC  
Commissioner Order 2017-005

WHEREAS, Mesquite Financial Services, Inc., Alice, Texas (“Mesquite”), a registered bank holding company, owns and controls Texas Champion Bank, Corpus Christi, Texas (“Bank”), a state-chartered, nonmember bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Mesquite, the Federal Reserve Bank of Dallas (the “Reserve Bank”), and the Texas Department of Banking (the “Department”) to maintain the financial soundness of Mesquite so that Mesquite may serve as a source of strength to the Bank;

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

WHEREAS, on July 6, 2017, the board of directors of Mesquite, at a duly constituted meeting, adopted a resolution authorizing and directing Travis H. Burris, Chief Executive

Officer, to enter into this Agreement on behalf of Mesquite, and consenting to compliance with each and every provision of this Agreement by Mesquite.

NOW, THEREFORE, Mesquite, the Reserve Bank, and the Department agree as follows:

**Source of Strength**

1. The board of directors of Mesquite shall take appropriate steps to fully utilize Mesquite’s financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended (“the FDI Act”) (12 U.S.C. § 1831o-1) and section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4 (a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into by the Federal Deposit Insurance Corporation (the “FDIC”) and the Department on February 13, 2017, and any other supervisory action taken by the Bank’s federal or state regulator.

**Dividends and Distributions**

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

(b) Mesquite 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 Department.

(c) Mesquite and its 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 Department.

(d) All requests for prior approval shall be received by the Reserve Bank and the Department 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 Mesquite's 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, Mesquite 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) Mesquite and its nonbank subsidiaries shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank and the Department. 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) Mesquite shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank and the Department.

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

4. (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, Mesquite 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 Mesquite shall also obtain the prior approval of the Department.

(b) Mesquite 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 FDIC's regulations (12 C.F.R. Part 359).

### **Progress Reports**

5. Within 45 days after the end of each calendar quarter following the date of this Agreement, Mesquite shall submit to the Reserve Bank and the Department 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 a parent company only balance sheet, income statement, and, as applicable, reports of changes in stockholders' equity.

### **Communications**

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

- (a) Mr. John S. Insley, Jr.  
Vice President  
Federal Reserve Bank of Dallas  
2200 North Pearl Street  
Dallas, Texas 75201
- (b) Mr. Charles G. Cooper  
Commissioner  
Texas Department of Banking  
2601 North Lamar Boulevard  
Austin, Texas 78705

(c) Mr. Travis H. Burris  
Chief Executive Officer  
Mesquite Financial Services, Inc.  
801 North Texas Boulevard  
Alice, Texas 78332

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

8. The provisions of this Agreement shall be binding upon Mesquite and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

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

10. 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 Mesquite, the Bank, any nonbank subsidiary of Mesquite, or any of their current or former institution-affiliated parties and their successors and assigns.

11. The Department 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 Department 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, Mesquite consents to deeming this Agreement to be a consent order for the purposes of Texas law. Mesquite hereby waives all its 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, its 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.

12. 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 by the Department 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 6<sup>th</sup> day of July, 2017.

MESQUITE FINANCIAL SERVICES, INC.

FEDERAL RESERVE BANK OF  
DALLAS

By: /s/ Travis H. Burris  
Travis H. Burris  
Chief Executive Officer

By: /s/ John S. Insley, Jr.  
John S. Insley, Jr.  
Vice President

TEXAS DEPARTMENT OF  
BANKING

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