FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

and

TEXAS DEPARTMENT OF BANKING
AUSTIN, TEXAS

In the Matter of	)	CONSENT ORDER
SPECTRA BANK FORT WORTH, TEXAS	)	FDIC-20-0140b
(INSURED STATE NONMEMBER BANK)	)	COMMISSIONER ORDER No. 2020-047

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Spectra Bank, Fort Worth, Texas ("Bank"), under 12 U.S.C. § 1813(q). The Texas Department of Banking ("Department") is the appropriate state banking agency for the Bank, under Texas Finance Code, Title 3, Subtitle A, §§ 31.001 et. seq.

The Bank, by and through its duly elected and acting board of directors ("Board"), has executed a "STIPULATION TO THE ISSUANCE OF A CONSENT ORDER" ("STIPULATION"), dated December 2, 2020, that is accepted by the FDIC and the Department. With the STIPULATION, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in asset quality, deterioration in capital protection and earnings, and deficiencies in management and oversight by the Board, to the issuance of this CONSENT ORDER ("ORDER") by the Regional Director of the Dallas Regional Office of the FDIC ("Regional Director") and the Texas Banking Commissioner ("Commissioner").

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Texas Finance Code § 35.002 have been satisfied or waived, the FDIC and the Commissioner hereby order that:

DEFINITIONS

1) For the purposes of this ORDER, the term "family members" means the spouse, child, sibling, parent, grandparent, or grandchild of an individual. The term includes a stepparent, stepchild, and stepsibling and a relationship established by adoption.

MANAGEMENT – BOARD SUPERVISION

2) (a) Within thirty (30) days after the effective date of this ORDER, the Bank's Board of Directors shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and written strategic objectives and for the appropriate supervision of the Bank's management. The Board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the Board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrual, and recovered loans; credit and collateral documentation exceptions; the identification of all loans not in conformance with the Bank's loan policy and aggregated to reflect the volume of policy exceptions in relation to Total Capital; current list of all loans and previous month's overdrafts to officers, directors, principal shareholders, family members, or any their related interests; concentrations of credit; investment activities; operating policies; and individual committee actions. The Bank's Board of Directors' minutes shall thoroughly document the Board's reviews and approvals, the names of any dissenting Directors, and detailed discussions on all material matters related to the Bank's affairs and potential actions to address audit and regulatory concerns.

(b) Within thirty (30) days after the effective date of this ORDER, the Management will ensure that all reports and/or committee minutes submitted to the Bank's Board of Directors contain timely and accurate information as requested by the Bank's Board of Directors to assist the Directors in accurately ascertaining the level of risk and adverse impact to the Bank of any recommended actions.

(c) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner at least thirty (30) days in advance, in writing, of any proposed changes in Bank's directors or Senior Executive Officers. For the purpose of this ORDER, "Senior Executive Officer" as defined in Section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b). Prior to the addition of any individual to the Board of Directors or the employment of any individual as a Senior Executive Officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.103. Additionally, the Bank will obtain the written approval of the Commissioner prior to removing, changing, or adding any new Senior Executive Officer, other executive officers, or directors.

CONFLICTS OF INTEREST

3) Within sixty (60) days of the effective date of this ORDER, the Bank's Board shall revise the Conflict of Interest Policy to include the following:

(a) Full disclosure of any potential conflicts of interest before any insider, family members, affiliates of insiders, or shareholder transactions are conducted;

(b) Prior approval by the Bank's Board on any transaction with an insider (as defined by Regulation O) based on a documented analysis of a detailed and current financial statement;

(c) Documentation that the interested party abstained from voting;

(d) Documentation to support that insider transactions as well as transactions with family members are performed at arms-length; and

(e) Documentation in the Board minutes of any deliberation that took place in the Board meeting regarding actual or potential insider-related transactions.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

4) (a) Within thirty (30) days of the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC and Department as a result of the examination of the Bank as of June 22, 2020. 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 ninety (90) days of the effective date of this ORDER, the Bank shall submit a written plan to reduce the remaining assets classified Doubtful and Substandard as of the June 22, 2020, examination ("Classified Asset Plan") to the Regional Director and the Commissioner for review. The Classified Asset Plan shall address each credit relationship so classified in the Report of Examination of the Bank as of June 22, 2020 with a balance of $350,000 or greater. For each identified asset, the Classified Asset Plan shall provide the following information:

(1) The name under which the asset is carried on the books;

(2) Type of asset;

(3) Actions to be taken in order to reduce the classified asset; and

(4) Time frames for accomplishing the proposed actions.

The Classified Asset Plan shall also, at a minimum:

(5) Review the financial position of each borrower, including the source of repayment, repayment ability, alternate repayment sources, and a global cash flow analysis (if applicable); and

(6) Evaluate the available collateral for each credit, including possible actions to improve the Bank's collateral position.

(c) In addition, the Bank's Classified Asset Plan shall contain a schedule detailing the projected reduction of total classified assets 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 and a provision mandating a review by the Bank's Board.

(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, as determined by the FDIC or the Department; or

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

(e) Within thirty (30) days of 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, which approval shall be recorded in the minutes of the Bank's

Board meeting. The Bank shall then immediately initiate measures detailed in the Classified Asset Plan to the extent such measures have not been initiated.

(f) 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 visitation or examination conducted by the FDIC or the Department. The Bank shall also update the Classified Asset Plan as needed to reflect any assets subsequently classified as Doubtful or Substandard by the Bank internally, or by the FDIC, or the Department. The Bank's ability to adhere to the approved Classified Asset Plan will be evaluated to determine overall compliance efforts with this provision of the ORDER.

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 Department 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.

(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 Department as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's Board 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 meeting.

(c) The requirements of this section shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

CAPITAL PLAN AND MAINTENANCE

6) (a) Within (90) days of the effective date of this ORDER and while this ORDER is in effect, the Bank, after establishing an adequate ALLL, shall maintain its Tier 1 Leverage Capital ratio equal to 9.0 percent of the Bank's Average Total Assets, and shall maintain its Total Risk-Based Capital ratio equal to or greater than 13.0 percent of the Bank's Total Risk Weighted Assets.

(b) Should the Board elect to opt into the Community Bank Leverage Ratio framework, the minimum leverage ratio will be greater than 9.00% and will replace the minimums described above, and as long as the leverage ratio is maintained then it will be assumed that the Bank is in compliance with the Total Risk-Based Capital ratio and there will be no requirement for the Bank to calculate. Regardless, these ratios shall be achieved and maintained through retention of earnings, collection of charged-off assets, reduction in total assets, sale of new equity, or any combination thereof. Any increase in Tier 1 Capital necessary to meet the capital maintenance requirements of this ORDER may not be accomplished through a deduction from the Bank's ALLL.

(c) If any capital ratios are less than required by the ORDER, as determined by the date of any Report of Condition and Income or at an examination by the FDIC or the Department, the Bank shall, within thirty (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 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 ("Capital Plan").

(d) The Capital Plan must include a contingency plan in the event that the Bank has failed to maintain the minimum capital ratios required; failed to submit an acceptable Capital Plan as required by this subparagraph; or failed to implement or adhere to a Capital Plan to which no written objection has been provided by the Regional Director and the Commissioner. The Contingency Plan shall include a plan to sell or merge the Bank. The Bank shall implement the Contingency Plan upon written notice from the Regional Director and Commissioner.

(e) After the Regional Director and the Commissioner respond to the Capital Plan, the Bank's Board shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner. Thereafter, to the extent such measures have not previously been initiated, the Bank shall immediately initiate measures detailed in the Capital Plan, to increase its capital by an amount sufficient to bring all the Bank's capital ratios to the percentages required by this ORDER within ninety (90) days after the Regional Director and the Commissioner respond to the Capital Plan. Such increase in capital and 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 31, 2020, 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 31, 2020, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or

(4) Any other method approved by the Regional Director and the Commissioner.

(f) 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 shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan if a shareholder vote is required. Should the implementation of the 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 State and Federal securities laws. Prior to the implementation of the plan involving a public distribution of securities, 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 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 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.

(g) 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 developments 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.

(h) The Bank shall comply with Part 324 of the FDIC's Rules and Regulations, 12 C.F.R. Part 324.

For purposes of this ORDER, all terms related to capital shall be calculated according to the methodology set forth in Part 324 of the FDIC's Rules and Regulations, 12 C.F.R. Part 324.

PROFIT PLAN & BUDGET

7) (a) Within 60 days after the effective date of this ORDER, and before the start of each calendar year thereafter, the Board of Directors shall develop a written Profit Plan and Budget consisting of goals and strategies for improving the core 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 core operating performance, Net Interest Margin, Overhead Expense, and Non-Interest Income;

(2) Realistic and comprehensive budgets;

(3) An analysis of the Bank's pricing structure;

(4) A recommendation for reducing the Bank's cost of funds;

(5) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections no less frequently than quarterly; and

(6) A description of the operating assumptions that form the basis for

and support major projected income and expense components.

(b) Within 60 days after the end of each calendar quarter following completion of the Profit Plan and Budget required by this paragraph and its approval as required by paragraph (c) below, the Bank's Board of Directors shall evaluate the Bank's actual performance in relation to the written Profit Plan and Budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the Board of Directors' meeting when such evaluation is undertaken.

(c) Such written Profit Plan and Budget 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, the Bank's Board of Directors shall approve the written Profit Plan and Budget, which approval 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 Budget and/or any subsequent modification.

DIVIDEND RESTRICTION

8) 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.

ALLOWANCE FOR LOAN AND LEASE LOSSES AND AMENDED CALL REPORTS

9) (a) Within thirty (30) days after the effective date of this ORDER, the Bank shall make provisions to its Allowance for Loan and Lease Losses ("ALLL") in an amount equal to those loans required to be charged off by this Order. The ALLL should be funded by charges to current operating income, and should be calculated in accordance with applicable accounting

principles. After the initial provision is made, the Bank shall thereafter maintain a reasonable ALLL. 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.

(b) Within thirty (30) days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after June 22, 2020, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

CORRECTION OF VIOLATIONS

10) (a) Within sixty (60) days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

(b) Within sixty (60) days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

COMPLIANCE COMMITTEE

11) Within thirty (30) days of the effective date of this ORDER, the Bank's Board shall establish a committee of the Bank's Board charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The majority of the members of such

committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall report monthly to the full Bank Board, and a copy of the report and any discussion relating to the report or the ORDER shall be noted in the minutes of the Bank's Board meetings. The establishment of this committee shall not diminish the responsibility or liability of the entire Bank's Board to ensure compliance with the provisions of this ORDER.

BUSINESS PLAN

12) While this ORDER is in effect, the Bank shall not enter into any new line of business without the prior written consent of the Regional Director and the Commissioner.

SHAREHOLDER NOTIFICATION

13) 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 shareholders (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, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

PROGRESS REPORTS

14) Within thirty (30) days after the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days after the end of each successive calendar quarter, the Bank shall furnish written progress reports ("Progress Reports") to the Regional Director and the Commissioner detailing the form and manner of any actions taken to achieve

compliance with this ORDER and the results thereof. Such Progress 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 Progress Reports.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the Department, 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 upon its issuance by the FDIC and Commissioner.

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 in effect and enforceable except to the extent that any provision has been modified, terminated, suspended, or set aside by the FDIC and the Commissioner.

This order is signed by the FDIC Dallas Regional Director, pursuant to delegated authority.

Issued and made effective this 3rd day of December, 2020

SERENA OWENS

Digitally signed by SERENA OWENS
Date: 2020.12.03 16:16:10 -06'00'

Serena L. Owens
Deputy Regional Director
Federal Deposit Insurance Corporation

Charles G. Cooper
Commissioner
Texas Department of Banking