

SECURITIES REPURCHASE AGREEMENT

by and between

THE UNITED STATES DEPARTMENT OF THE TREASURY

and

TREATY OAK BANCORP, INC.

Dated as of February 15, 2011

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SECURITIES REPURCHASE AGREEMENT

THIS SECURITIES REPURCHASE AGREEMENT (as amended, supplemented or otherwise modified from time to time, this "Agreement") is dated as of February 15, 2011, and has been entered into by and between the United States Department of the Treasury (the "Seller") and Treaty Oak Bancorp, Inc., a Texas corporation with its principal offices in Austin, Texas (the "Purchaser").

RECITALS:

WHEREAS, pursuant to an Amended and Restated Stock Purchase Agreement effective as of December 21, 2010 (the "Carlile Agreement"), the Purchaser has agreed to sell to Carlile Bancshares, Inc., a Texas corporation with its principal offices in Fort Worth, Texas (together with any successor thereof, "Carlile") all of the outstanding capital stock of the Treaty Oak Bank, a Texas banking association with its principal offices in Austin, Texas (the "Carlile Transaction");

WHEREAS, the Seller owns (i) 3,268 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, and (ii) 163 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series C (collectively the "Shares") in each case issued by the Purchaser;

WHEREAS, immediately following the Carlile Transaction, the Seller desires to sell back to the Purchaser, and the Purchaser desires to repurchase from the Seller, the Shares in exchange for cash consideration of \$500,000 (the "Purchase Price"), a deferred purchase price payment of \$150,000 (the "Deferred Purchase Price") and a warrant to purchase 3,098,341 shares of the Purchaser's Common Stock in substantially the form attached hereto as Annex A (the "Warrant"), subject to the terms and conditions contained in this Agreement;

WHEREAS, the Purchaser and Seller desire to enter into a pledge agreement in order to secure the payment of the Deferred Purchase Price, in substantially the form attached as Annex B (the "Pledge Agreement") whereby the Purchaser will pledge one of the Carlile Notes (as defined below) in the aggregate principal amount of \$150,000 to the Seller (the "Pledged Carlile Note");

NOW, THEREFORE, in consideration of the premises, and of the various representations, warranties, covenants and other agreements and undertakings of the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

I DEFINITIONS.

1.01. Definitions of Certain Terms. For purposes of this Agreement, the following terms are used with the meanings assigned below (such definitions to be equally applicable to both the singular and plural forms of the terms herein defined):

“Affiliate” means, with respect to any person, any person directly or indirectly controlling, controlled by or under common control with, such other person. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”) when used with respect to any person, means the possession, directly or indirectly, of the power to cause the direction of management and/or policies of such person, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” has the meaning set forth in the introductory paragraph of this Agreement.

“Benefit Plans” has the meaning set forth in Section 4.06(A).

“Business Day” means any day that is not a Saturday, a Sunday or other day on which banking organizations in the State of New York or Texas are required or authorized by Law to be closed.

“Capitalization Date” has the meaning set forth in Section 3.01(G).

“Carlile” has the meaning set forth in the recitals to this Agreement.

“Carlile Agreement” has the meaning set forth in the recitals to this Agreement.

“Carlile Closing” has the meaning set forth in Section 2.02(A).

“Carlile Notes” means the promissory notes made by Carlile to the Purchaser in the aggregate principal amount of \$4,721,555.00, in the forms attached hereto as Annex C.

“Carlile Notes Security Agreement” means the agreements between Carlile and the Purchaser, setting forth the terms under which the Carlile Notes are secured by Carlile assets, in the forms attached hereto as Annex D.

“Carlile Transaction” has the meaning set forth in the recitals to this Agreement.

“Closing” has the meaning set forth in Section 2.02(A).

“Closing Date” has the meaning set forth in Section 2.02(A).

“Common Stock” means the common stock, par value \$0.01 per share, of the Purchaser.

“Compensation Regulations” has the meaning set forth in Section 4.06(A).

“Deferred Purchase Price” has the meaning set forth in the recitals to this Agreement.

“EESA” has the meaning set forth in Section 4.06(A).

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Governmental Entity” means any court, administrative agency or commission or other governmental or regulatory authority or instrumentality or self-regulatory organization.

“Information” has the meaning set forth in Section 4.07(A).

“Investment Company Act” means the U.S. Investment Company Act of 1940, as amended.

“Law” means any law, statute, code, ordinance, rule, regulation, judgment, order, award, writ, decree or injunction issued, promulgated or entered into by or with any Governmental Entity.

“Liens” means any liens, licenses, pledges, charges, encumbrances, adverse rights or claims and security interests whatsoever.

“Material Adverse Effect” means a material adverse effect on the business, results of operation or financial condition of the Purchaser and its consolidated subsidiaries taken as a whole; *provided, however*, that Material Adverse Effect shall not be deemed to include the effects of (i) changes after the date hereof in general business, economic or market conditions (including changes generally in prevailing interest rates, credit availability and liquidity, currency exchange rates and price levels or trading volumes in the United States or foreign securities or credit markets), or any outbreak or escalation of hostilities, declared or undeclared acts of war or terrorism, in each case generally affecting the industries in which the Purchaser and its subsidiaries operate; (ii) changes or proposed changes after the date hereof in United States generally accepted accounting principles or regulatory accounting requirements, or authoritative interpretations thereof; (iii) changes or proposed changes after the date hereof in securities, banking and other Laws of general applicability or related policies or interpretations of Governmental Entities (in the case of each of these clauses (i), (ii) and (iii), other than changes or occurrences to the extent that such changes or occurrences have or would reasonably be expected to have a materially disproportionate adverse effect on the Purchaser and its consolidated subsidiaries taken as a whole relative to comparable United States banking or financial services organizations); or (iv) changes in the market price or trading volume of the common stock or any other equity, equity-related or debt securities of the Purchaser or its consolidated subsidiaries (it being understood and agreed that the exception set forth in this clause (iv) does not apply to the underlying reason giving rise to or contributing to any such change).

“Pledge Agreement” has the meaning set forth in the recitals to this Agreement.

“Pledged Carlile Note” has the meaning set forth in the recitals to this Agreement.

“Purchase Price” has the meaning set forth in the recitals to this Agreement.

“Purchaser” has the meaning set forth in the introductory paragraph to this Agreement.

“Purchaser’s Subsidiaries” has the meaning set forth in Section 4.07(A).

“Reclassification” means the Purchaser’s proposal to convert to shares of Common Stock on a one-for-one basis all shares of the Purchaser’s Series A preferred stock then outstanding, and thereafter to reclassify into shares of the Purchaser’s Series E preferred stock on a one-for-one basis all shares of Common Stock held by its record shareholders then owning less than 2,500 shares of Common Stock, in each case pursuant to the Purchaser’s proxy statement dated December 30, 2010, as previously provided to the Seller.

“Regulatory Event” means, with respect to the Purchaser, that (i) the Federal Deposit Insurance Corporation or any other governmental authority shall be appointed as conservator or receiver for the Purchaser; or (ii) the Purchaser shall have been considered in “troubled condition” for the purposes of 12 U.S.C. §1831i or any regulation promulgated thereunder; or (iii) the Purchaser shall qualify as “Undercapitalized,” “Significantly Undercapitalized,” or “Critically Undercapitalized” as those terms are defined in 12 C.F.R. §208.43; or (iv) the Purchaser shall have become subject to any formal or informal regulatory action requiring the Purchaser to materially improve its capital, liquidity or safety and soundness.

“Relevant Period” has the meaning set forth in Section 4.06(A).

“Section 4.06 Employee” has the meaning set forth in Section 4.06(B).

“Securities Repurchase” has the meaning set forth in Section 2.01.

“Seller” has the meaning set forth in the introductory paragraph to this Agreement.

“Senior Executive Officer” has the meaning set forth in Section 4.06(B).

“Shares” has the meaning set forth in the recitals to this Agreement.

“Subsidiary” means, with respect to any person, any bank, corporation, partnership, joint venture, limited liability company or other organization, whether incorporated or unincorporated, (i) of which such person or a subsidiary of such person is a general partner or managing member or (ii) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or persons performing similar functions with respect to such entity is directly or indirectly owned by such person and/or one or more subsidiaries thereof.

“Warrant” has the meaning set forth in the recitals to this Agreement.

“Warrant Shares” has the meaning set forth in Section 3.01(A).

1.02. Interpretation. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The term “person” as used in this Agreement shall mean any individual, corporation, limited liability company, limited or general partnership, joint venture, government or any agency or political subdivision thereof, or any other entity or any group (as defined in Section 13(d)(3) of the Exchange Act) comprised of two or more of the foregoing. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. In this Agreement, all references to “dollars” or “\$” are to United States dollars. This Agreement and any documents or instruments delivered pursuant hereto or in connection herewith shall be construed without regard to the identity of the person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though all of the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

II SECURITIES REPURCHASE.

2.01. Purchase and Sale of the Shares. Subject to, and on the terms and conditions of, this Agreement, effective at the Closing, (i) the Purchaser shall repurchase from the Seller, and the Seller shall sell, transfer, convey, assign and deliver back to the Purchaser, all of the Shares, free and clear of all Liens, (ii) the Purchaser shall pay to the Seller the Purchase Price, (iii) the Purchaser shall issue and deliver the Warrant to the Seller, and (iv) the Purchaser and the Seller shall enter into the Pledge Agreement to secure the payment of the Deferred Purchase Price ((i), (ii), (iii) and (iv) collectively, the “Securities Repurchase”).

2.02. Closing of the Securities Repurchase.

(A) Subject to Article V, the closing of the Securities Repurchase (the “Closing”) shall be held (1) after the closing described in Section 2.01 of the Carlile Agreement (the “Carlile Closing”), or (2) at such other time or date that is agreed to in writing by the Seller and the Purchaser (the date on which the Closing occurs being referred to as the “Closing Date”). The Closing shall be held at the same location as the Carlile Closing or at such other place as the Seller and the Purchaser shall mutually agree in writing.

(B) At the Closing, or simultaneously therewith, the following shall occur:

(1) the Seller shall deliver to the Purchaser one or more certificates for the Shares, duly endorsed in blank or accompanied by

stock powers duly endorsed in blank or other required instruments of transfer;

(2) the Purchaser shall pay the Purchase Price to the Seller, by wire transfer in immediately available funds, to an account designated in writing by the Seller to the Purchaser, such designation to be made not later than two Business Days prior to the Closing Date;

(3) the Purchaser shall execute the Warrant and deliver such executed Warrant to the Seller;

(4) the Purchaser and the Seller shall execute the Pledge Agreement;

(5) the Purchaser shall deliver to the Seller a certificate signed by a duly authorized officer of the Purchaser certifying that all of the conditions to Closing under this Agreement have been satisfied or fulfilled, which certification shall survive the Closing; and

(6) the Purchaser and the Seller shall enter into a letter agreement, in a form consistent with letter agreements entered into in connection with repurchases of preferred stock by participants in the Capital Purchase Program, under which the Purchaser will acknowledge receipt of one or more certificates for the Shares and the Seller will acknowledge receipt of the Purchase Price and the Warrant.

2.03. Deferred Purchase Price. The Purchaser shall pay the Deferred Purchase Price to the Seller in one or more installments, each equal to the lesser of each payment made on or in respect of the Carlile Notes (other than the regular quarterly interest payments of 2% per annum) and the remaining unpaid balance of the Deferred Purchase Price. In furtherance of the foregoing, until the Deferred Purchase Price has been paid in full in cash, the Purchaser shall cause Carlile to pay all amounts due under or in respect of the Carlile Notes (other than the regular quarterly interest payments of 2% per annum) directly to the Seller as a payment by the Purchaser of the Deferred Purchase Price. In the event any of the payments are paid by Carlile to the Purchaser, such payments shall be received in trust for the benefit of the Seller, shall be segregated from other property of the Purchaser and the Purchaser shall immediately transfer such payments to the Seller. All payments under this Section 2.03 shall be made by wire transfer of immediately available funds, to an account designated in writing by the Seller to the Purchaser. Such account shall initially be the account designated under Section 2.02(B)(2) and may be changed from time to time by the Seller. The Purchaser shall only be required to pay the Deferred Purchase Price from any payments made in respect of the Carlile Notes.

III REPRESENTATIONS AND WARRANTIES.

3.01. Representations and Warranties of the Purchaser. The Purchaser hereby represents and warrants to the Seller as follows:

(A) Existence and Power. The Purchaser is duly organized and validly existing as a corporation under the laws of the State of Texas and has all requisite power and authority to execute and deliver this Agreement, the Warrant and the Pledge Agreement and to consummate the transactions contemplated hereby and thereby (which includes the issuance of the Warrant and the shares of Common Stock issuable upon exercise of the Warrant (the “Warrant Shares”)).

(B) Authorization. The execution and delivery of this Agreement, the Warrant and the Pledge Agreement, and the consummation by the Purchaser of the transactions contemplated hereby and thereby, have been duly and validly approved by all necessary corporate action of the Purchaser, and no other corporate or shareholder proceedings on the part of the Purchaser are necessary to approve this Agreement, the Warrant or the Pledge Agreement, or to consummate the transactions contemplated hereby or thereby. This Agreement, the Warrant and the Pledge Agreement have been duly and validly executed and delivered by the Purchaser, and (assuming the due authorization, execution and delivery of this Agreement by the Seller) this Agreement constitutes a valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, except as enforcement may be limited by general principles of equity whether applied in a court of law or a court of equity and by bankruptcy, insolvency and similar laws affecting creditors’ rights and remedies generally.

(C) Non-Contravention. Neither the execution and delivery of this Agreement, the Warrant or the Pledge Agreement, nor the consummation by the Purchaser of the transactions contemplated hereby or thereby will violate any provision of the charter or bylaws or similar governing documents of the Purchaser or, assuming that the consents, approvals, filings and registrations referred to in Section 3.01(D) are received or made (as applicable), applicable Law.

(D) Consents and Approvals. Except for any consents, approvals, filings or registrations required in connection with the consummation of the Carlile Transaction or which have been obtained, no consents or approvals of, or filings or registrations with, any Governmental Entity or of or with any other third party by or on behalf of the Purchaser are necessary in connection with the execution and delivery by the Purchaser of this Agreement, the Warrant or the Pledge Agreement and the consummation by the Purchaser of the transactions contemplated hereby or thereby.

(E) Securities Matters. The Shares are being acquired by the Purchaser for its own account and without a view to the public distribution or sale of the Shares.

(F) Availability of Funds. Purchaser has, and will have as of the Closing, sufficient funds available to consummate the transactions contemplated hereunder.

(G) Capitalization. The authorized capital stock of the Purchaser, and the outstanding capital stock of the Purchaser (including securities convertible into, or exercisable or exchangeable for, capital stock of the Purchaser) as of the most recent fiscal month-end preceding the date hereof (the “Capitalization Date”) is set forth on Schedule A. The outstanding shares of capital stock of the Purchaser have been duly authorized and are validly issued and outstanding, fully paid and nonassessable, and subject to no preemptive rights (and were not issued in violation of any preemptive rights). As of the date hereof, the Purchaser does not have outstanding any securities or other obligations providing the holder the right to acquire Common Stock that is not reserved for issuance as specified on Schedule A, and except for Common Stock proposed to be issued pursuant to the Reclassification, the Purchaser has not made any other commitment to authorize, issue or sell any Common Stock. Since the Capitalization Date, the Purchaser has not issued any shares of Common Stock other than (i) shares issued upon the exercise of stock options or delivered under other equity-based awards or other convertible securities or warrants which were issued and outstanding on the Capitalization Date and disclosed on Schedule A and (ii) shares disclosed on Schedule A.

(H) Anti-Takeover Provisions and Rights Plan. The board of directors of the Purchaser has taken all necessary action to ensure that the transactions contemplated by this Agreement, the Warrant and the Pledge Agreement, and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrant in accordance with its terms, will be exempt from any anti-takeover or similar provisions of the Purchaser’s charter and bylaws, and any other provisions of any applicable “moratorium”, “control share”, “fair price”, “interested stockholder” or other anti-takeover laws and regulations of any jurisdiction. The Purchaser has taken all actions necessary to render any stockholders’ rights plan of the Purchaser inapplicable to this Agreement and the Warrant and the consummation of the transactions contemplated hereby and thereby, including the exercise of the Warrant by the Seller in accordance with its terms.

(I) No Material Adverse Effect. Since December 31, 2010, no fact, circumstance, event, change, occurrence, condition or development has occurred that, individually or in the aggregate, has had or would reasonably be likely to have a Material Adverse Effect on the Purchaser.

(J) Offering of Securities. Neither the Purchaser nor any person acting on its behalf has taken any action (including any offering of any securities of the Purchaser under circumstances which would require the integration of such offering with the offering of the Warrant Shares under the Securities Act and the rules and regulations of the SEC promulgated thereunder), which might subject

the offering, issuance or sale of the Warrant Shares to the Seller pursuant to this Agreement to the registration requirements of the Securities Act.

(K) Brokers and Finders. No broker, finder or investment banker is entitled to any financial advisory, brokerage, finder's or other fee or commission in connection with this Agreement or the transactions contemplated hereby based upon arrangements made by or on behalf of the Purchaser or any Subsidiary of the Purchaser for which the Seller could have any liability.

(L) Investment Company. The Purchaser is not, and immediately after giving effect to the transactions contemplated by this Agreement and the Carlile Agreement, will not be, an "investment company" within the meaning of the Investment Company Act.

(M) Assets. After giving effect to the transactions contemplated by the Carlile Agreement, the Purchaser shall have no subsidiaries or assets (other than the Note, cash and cash equivalents).

IV COVENANTS.

4.01. Further Action. The Seller and the Purchaser (i) shall each execute and deliver, or shall cause to be executed and delivered, such documents and other instruments and shall take, or shall cause to be taken, such further action as may be reasonably necessary to carry out the provisions of this Agreement, the Warrant and the Pledge Agreement and give effect to the transactions contemplated hereby or thereby, and (ii) shall refrain from taking any actions that could reasonably be expected to impair, delay or impede the Closing or the consummation of the transactions contemplated hereby or thereby.

4.02. Carlile Transaction. The Purchaser will not (i) agree to any amendment, waiver, modification or forbearance of the Carlile Notes, the Carlile Notes Security Agreements, the Carlile Notes Subordination Agreement, or any other document relating thereto, or enter into any new agreements relating to the Carlile Notes, the Carlile Notes Security Agreements, the Carlile Notes Subordination Agreement without the prior written consent of the Seller, or (ii) agree to any amendment, waiver or modification of the Carlile Agreement, or any other documents governing the terms of the Carlile Transaction (other than the Carlile Notes, the Carlile Notes Security Agreements, the Carlile Notes Subordination Agreement and any document relating thereto) that adversely affects the Seller without the prior written consent of the Seller.

4.03. Carlile Transaction Approvals and Notice of Closing. The Purchaser shall (i) keep the Seller reasonably apprised of its progress in obtaining necessary approvals for the Carlile Transaction (and shall give the Seller prompt written notice of the approval of the Carlile Transaction by the Purchaser's shareholders), (ii) deliver to the Seller copies of any written notices the Purchaser and Carlile deliver to one another under the Carlile Agreement to the extent such notices relate to such approvals, the failure to obtain

any such approvals or the termination of the Carlile Agreement; and (iii) provide at least seven (7) days' prior written notice of the Closing Date to the Seller.

4.04. Unregistered Capital Securities; Registration Rights. The Seller acknowledges that the Warrant Shares have not been registered under the Securities Act or under any state securities laws. The Seller will not sell or otherwise dispose of the Warrant Shares, except in compliance with the registration requirements or exemption provisions of the Securities Act and any applicable U.S. state securities laws. The Warrant Shares shall be Registrable Securities under the Securities Purchase Agreement and, upon their issuance, the provisions of Section 4.5 of the Securities Purchase Agreement shall be applicable to them, including with the benefit, to the extent available, of the tacking of any holding period from the first date of issuance of the Shares.

4.05. Legend. The Purchaser agrees that all certificates or other instruments representing the Warrant and the Warrant Shares will bear a legend substantially to the following effect:

“THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.”

In the event that any Warrant Shares (i) become registered under the Securities Act or (ii) are eligible to be transferred without restriction in accordance with Rule 144 or another exemption from registration under the Securities Act (other than Rule 144A), the Purchaser shall issue new certificates or other instruments representing such Warrant Shares, which shall not contain the applicable legend in this Section 4.05; *provided* that the Seller surrenders to the Purchaser the previously issued certificates or other instruments.

4.06. Executive Compensation.

(A) Benefit Plan. Until the Deferred Purchase Price has been paid in full in cash to the Seller (the “Relevant Period”), the Purchaser shall take all necessary action to ensure that the compensation, bonus, incentive and other benefit plans, arrangements and agreements (including golden parachute, severance and employment agreements) (collectively, “Benefit Plans”) of the Purchaser and its Affiliates comply in all respects with, and shall take all other actions necessary to comply with, whether or not applicable to the Purchaser, Section 111 of the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009, or otherwise from time to time (“EESA”), as implemented by any guidance, rule or regulation thereunder, as the same shall be in effect from time to time (collectively, the “Compensation”).

Regulations”), and neither the Purchaser nor any Affiliate shall adopt any new Benefit Plan (i) that does not comply therewith or (ii) that does not expressly state and require that such Benefit Plan and any compensation thereunder shall be subject to any relevant Compensation Regulations adopted, issued or released on or after the date any such Benefit Plan is adopted. To the extent that EESA and/or the Compensation Regulations are amended or otherwise change during the Relevant Period in a manner that requires changes to then-existing Benefit Plans, or that requires other actions, the Purchaser and its Affiliates shall effect such changes to its or their Benefit Plans, and take such other actions, as promptly as practicable after it has actual knowledge of such amendments or changes in order to be in compliance with this Section 4.06(A) (and shall be deemed to be in compliance for a reasonable period to effect such changes). In addition, the Purchaser and its Affiliates shall take all necessary action, other than to the extent prohibited by applicable law or regulation applicable outside of the United States, to ensure that the consummation of the transactions contemplated by this Agreement will not accelerate the vesting, payment or distribution of any equity-based awards, deferred cash awards or any nonqualified deferred compensation payable by the Purchaser or any of its Affiliates.

(B) Additional Waivers. After the Closing Date, in connection with the hiring or promotion of a Section 4.06 Employee and/or the promulgation of applicable Compensation Regulations or otherwise, to the extent any Section 4.06 Employee shall not have executed a waiver with respect to the application to such Section 4.06 Employee of the Compensation Regulations, the Purchaser shall use its best efforts to (i) obtain from such Section 4.06 Employee a waiver in substantially the form attached hereto as Annex E and (ii) deliver such waiver to the Seller as promptly as possible, in each case, within sixty days of the Closing Date or, if later, within sixty days of such Section 4.06 Employee becoming subject to the requirements of this Section. “Section 4.06 Employee” means (A) each of the “senior executive officers” of the Purchaser as defined in Section 111 of the EESA and the Compensation Regulations (each, a “Senior Executive Officer”) and (B) any other employee of the Purchaser or its Affiliates determined at any time to be subject to Section 111 of EESA and the Compensation Regulations.

(C) Clawback. In the event that any Section 4.06 Employee receives a payment in contravention of the provisions of this Section 4.06, the Purchaser shall promptly provide such individual with written notice that the amount of such payment must be repaid to the Purchaser in full within fifteen business days following receipt of such notice or such earlier time as may be required by the Compensation Regulations and shall promptly inform the Seller (i) upon discovering that a payment in contravention of this Section 4.06 has been made and (ii) following the repayment to the Purchaser of such amount and shall take such other actions as may be necessary to comply with the Compensation Regulations.

(D) Limitation on Deductions. During the Relevant Period, the Purchaser agrees that it shall not claim a deduction for remuneration for federal income tax purposes in excess of \$500,000 for each Senior Executive Officer that would not be deductible if Section 162(m)(5) of the Code applied to the Purchaser.

4.07. Access, Information and Confidentiality.

(A) From the date hereof until the date when (i) the Seller no longer holds any securities of the Purchaser (including the Warrant) and (ii) the Deferred Purchase Price has been paid in full in cash to the Seller, the Purchaser will permit the Seller and its agents, consultants, contractors and advisors (i) acting through the Purchaser's appropriate Federal Banking Agency, to examine the corporate books and make copies thereof and to discuss the affairs, finances and accounts of the Purchaser and the subsidiaries of the Purchaser (the "Purchaser's Subsidiaries") with the principal officers of the Purchaser, all upon reasonable notice and at such reasonable times and as often as the Seller may reasonably request and (ii) to review any information material to the Seller's investment in the Purchaser provided by the Purchaser to its appropriate Federal Banking Agency.

(B) From the date hereof until the date when (i) the Seller no longer holds any securities of the Purchaser (including the Warrant) and (ii) the Deferred Purchase Price has been paid in full in cash to the Seller, the Purchaser shall permit, and shall cause each of the Purchaser's Subsidiaries to permit (A) the Seller and its agents, consultants, contractors, (B) the Special Inspector General of the Troubled Asset Relief Program, and (C) the Comptroller General of the United States access to personnel and any books, papers, records or other data, in each case, to the extent relevant to ascertaining compliance with the financing terms and conditions; *provided* that prior to disclosing any information pursuant to clause (B) or (C), the Special Inspector General of the Troubled Asset Relief Program and the Comptroller General of the United States shall have agreed, with respect to documents obtained under this Agreement in furtherance of its function, to follow applicable law and regulation (and the applicable customary policies and procedures) regarding the dissemination of confidential materials, including redacting confidential information from the public version of its reports and soliciting the input from the Purchaser as to information that should be afforded confidentiality, as appropriate.

(C) The Seller will use reasonable best efforts to hold, and will use reasonable best efforts to cause its agents, consultants, contractors, advisors, and United States executive branch officials and employees, to hold, in confidence all non-public records, books, contracts, instruments, computer data and other data and information (collectively, "Information") concerning the Purchaser furnished or made available to it by the Purchaser or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) previously known by such party on a non-confidential basis, (ii) in the public

domain through no fault of such party or (iii) later lawfully acquired from other sources by the party to which it was furnished (and without violation of any other confidentiality obligation)); *provided* that nothing herein shall prevent the Seller from disclosing any Information to the extent required by applicable laws or regulations or by any subpoena or similar legal process. The Seller understands that the Information may contain commercially sensitive confidential information entitled to an exception from a Freedom of Information Act request.

(D) Nothing in this Section shall be construed to limit the authority that the Special Inspector General of the Troubled Asset Relief Program, the Comptroller General of the United States or any other applicable regulatory authority has under law.

4.08. Sufficiency of Authorized Common Stock. During the period from the Closing Date until the date on which the Warrant has been fully exercised, the Purchaser shall at all times have reserved for issuance, free of preemptive or similar rights, a sufficient number of authorized and unissued shares of Common Stock to effectuate such exercise. Nothing in this Section 4.08 shall preclude the Purchaser from satisfying its obligations in respect of the exercise of the Warrant by delivery of shares of Common Stock which are held in the treasury of the Purchaser.

4.09. Investment Company. During the period from the Closing Date until the date on which the Seller no longer holds any securities of the Purchaser, the Purchaser shall take all actions to prevent itself from being an “investment company” within the meaning of the Investment Company Act.

4.10. No Transfer of Carlile Notes. Until such time as the Deferred Purchase Price has been paid in full in cash to the Seller, the Purchaser will not sell, transfer, pledge or otherwise dispose of the Carlile Notes, (or any interest therein), agree to take any such action, or consent to the assignment or other transfer by Carlile of its obligations under the Carlile Notes (other than as permitted under the Pledge Agreement in respect of the Pledged Carlile Note).

4.11. Restricted Activities. Until such time as the Seller no longer holds any securities of the Purchaser (including the Warrant), the Purchaser shall not conduct any business or activities or engage in any transactions without the prior written consent of the Seller, except for:

(A) holding the Carlile Notes, receiving payments in respect thereof, and making payments of the Deferred Purchase Price to the Seller;

(B) entering into the Pledge Agreement and Warrant, and performing its obligations thereunder and under this Agreement; and

(C) any actions or activities incidental and related thereto.

Notwithstanding anything to the contrary in this Agreement, the Warrant or the Pledge Agreement, until such time as (i) the Deferred Purchase Price has been paid to the Seller in full in cash, and (ii) the Seller shall cease to hold any securities of the Purchaser (including the Warrant), without the prior written consent of the Seller, the Purchaser shall not (i) engage in any merger, consolidation, statutory share exchange or similar transaction, (ii) liquidate, dissolve or sell, transfer or lease all or substantially all of its assets or property or (iii) issue or sell any shares of its capital stock or any securities convertible or exercisable for any such shares, other than proposed issuances pursuant to the Reclassification and issuances upon exercise of outstanding options and other stock awards outstanding on the date of this agreement.

V CONDITIONS TO THE CLOSING.

5.01. Conditions to Each Party's Obligations. The respective obligations of each of the Purchaser and the Seller to consummate the Securities Repurchase are subject to the fulfillment, or written waiver by the Purchaser and the Seller, prior to the Closing, of each of the following conditions:

(A) The Carlile Closing. The Carlile Closing shall have occurred.

(B) Regulatory Approvals. All regulatory approvals required to consummate the Securities Repurchase shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or been terminated.

(C) No Injunctions or Restraints; Illegality. No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Securities Repurchase shall be in effect. No Law shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits or makes illegal the consummation of the Securities Repurchase.

5.02. Conditions to Obligations of the Seller. The obligation of the Seller to consummate the Securities Repurchase is also subject to the fulfillment, or written waiver by the Seller, prior to the Closing, of the following conditions:

(A) Other Events. None of the following shall have occurred with respect to the Purchaser or any of its subsidiaries:

(1) The Purchaser shall have (a) dissolved; (b) become insolvent or unable to pay its debts or failed or admitted in writing its inability generally to pay its debts as they become due; (c) made a general assignment, arrangement or composition with or for the benefit of its creditors; (d) instituted or have instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors'

rights, or a petition shall have been presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition shall have resulted in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; (e) had a resolution passed for its winding-up, official management or liquidation other than pursuant to the Carlile Agreement; (f) sought or shall have become subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) had a secured party take possession of all or substantially all of its assets or had a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets; (h) caused or shall have been subject to any event with respect to it which, under the applicable Laws of any jurisdiction, had an analogous effect to any of the events specified in clauses (a) to (g) (inclusive); or (i) taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(2) a Governmental Entity in any jurisdiction shall have (i) commenced an action or proceeding against the Purchaser or any of its subsidiaries; or (ii) issued or entered a temporary restraining order, preliminary or permanent injunction or other order applicable to the Purchaser or any of its subsidiaries, which in the case of (i) and (ii) shall have had or shall be reasonably expected to have a Material Adverse Effect;

(3) any fact, circumstance, event, change, occurrence, condition or development shall have occurred that, individually or in the aggregate, shall have had or shall be reasonably likely to have a Material Adverse Effect; or

(4) any Regulatory Event not otherwise existing on the date hereof.

(B) Purchaser's Representations and Warranties Correct. As of the Closing, all of the Purchaser's representations and warranties set forth in this Agreement shall be true and correct in all material respects.

(C) Purchaser's Covenants and Agreements Fulfilled. As of the Closing, all of the Purchaser's covenants and obligations set forth in this Agreement shall have been performed.

(D) Carlile Agreement Conditions Precedent Satisfied. As of the Closing, all of the conditions precedent to the closing set forth in the Carlile Agreement shall have been met, and not waived.

(E) Delivery of Opinion from Purchaser's Counsel. As of the Closing, the Seller shall have received from the Purchaser's counsel, written opinions satisfactory to it in form and substance, that (i) the Purchaser is not, and immediately after giving effect to the transactions contemplated by this Agreement and the Carlile Agreement, will not be, an "investment company" within the meaning of the Investment Company Act and (ii) that the Seller shall have valid and perfected security interests in the Pledged Carlile Note and the other secured obligations under the Pledge Agreement.

(F) Execution and Delivery of the Warrant. At Closing, the Purchaser shall have executed and delivered such executed Warrant to the Seller or its designee(s).

(G) Execution of the Pledge Agreement. At Closing, the Purchaser and the Seller shall have executed the Pledge Agreement.

VI TERMINATION.

6.01. Termination Events. This Agreement may be terminated at any time prior to the Closing:

(A) by mutual written agreement of the Purchaser and the Seller; or

(B) by the Purchaser, upon written notice to the Seller, or by the Seller, upon written notice to the Purchaser, in the event that the Closing Date does not occur on or before February 18, 2011; *provided, however*, that the respective rights to terminate this Agreement pursuant to this Section 6.01(B) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing Date to occur on or prior to such date.

This Agreement shall automatically terminate upon the termination of the Carlile Agreement in accordance with its terms.

6.02. Effect of Termination. In the event of termination of this Agreement as provided in Section 6.01, this Agreement shall forthwith become void and have no effect, and none of the Seller, the Purchaser, any affiliates of the Purchaser or any officers or directors of the Purchaser or any of its affiliates shall have any liability of any nature whatsoever hereunder, or in connection with the transactions contemplated hereby, except that this Section 6.02 and Sections 7.03, 7.04, 7.05 and 7.06 shall survive any termination of this Agreement.

VII MISCELLANEOUS.

7.01. Waiver; Amendment.

Any provision of this Agreement may be (i) waived in writing by the party benefiting by the provision, or (ii) amended or modified at any time by an agreement in

writing signed by each of the parties hereto. Neither any failure nor any delay by any party in exercising any right, power or privilege under this Agreement or any of the documents referred to in this Agreement shall operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege shall preclude any other or further exercise of such right, power or privilege.

7.02. Counterparts. This Agreement may be executed by facsimile or other electronic means and in counterparts, all of which shall be considered an original and one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

7.03. Governing Law; Choice of Forum; Waiver of Jury Trial.

(A) This Agreement and any claim, controversy or dispute arising under or related to this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties shall be enforced, governed, and construed in all respects (whether in contract or in tort) in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such state. Each of the parties hereto agrees (i) to submit to the exclusive jurisdictions and venue of the United States District Court of the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and (ii) that notice may be served upon (A) the Purchaser at the address and in the manner set forth for notices to the Purchaser in Section 7.05 and (B) the Seller at the address and in the manner set forth for notices to the Seller in Section 7.05, but otherwise in accordance with federal law.

(B) Each of the parties hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the transactions contemplated hereby.

7.04. Expenses. If requested by the Seller, the Purchaser shall pay all reasonable out-of-pocket and documented costs and expenses associated with this Agreement and the transactions contemplated by this Agreement, including, but not limited to, the reasonable fees, disbursements and other charges of the Sellers's legal counsel and financial advisors.

7.05. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given on (i) the date of delivery if delivered personally or telecopied (upon telephonic confirmation of receipt), (ii) on the first Business Day following the date of dispatch if delivered by a recognized next day courier service, or (iii) on the third Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be

delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:

If to the Purchaser to:

Treaty Oak Bancorp, Inc.
101 Westlake Drive
Austin, Texas 78746
Facsimile: 512-617-3697
Attention: Charles Meeks, Chairman

With a copy to:

400 West 15th Street, Suite 1510
Austin, Texas 78701
Facsimile: 512-477-4478
Attention: Larry E. Temple, Esq.

If to the Seller to:

United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220
Facsimile: (202) 927-9225
Attention: Chief Counsel Office of Financial Stability

With a copy to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, New York 10019-6064
Facsimile: (212) 757-3990
Attention: John C. Kennedy, Esq.
Toby S. Myerson, Esq.

7.06. Entire Understanding; No Third Party Beneficiaries. This Agreement (together with the documents, agreements and instruments referred to herein) represents the entire understanding of the parties with respect to the subject matter hereof and supersedes any and all other oral or written agreements heretofore made with respect to the subject matter hereof. Nothing in this Agreement, expressed or implied, is intended to confer upon any person, other than the parties hereto, any rights or remedies hereunder.

7.07. Assignment. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by any party hereto without the prior written consent of the other party, and any attempt to assign any right, remedy, obligation or liability hereunder without such consent shall be null and void;

provided, however, that the Seller may assign this Agreement to an Affiliate of the Seller. If the Seller assigns this Agreement to an Affiliate, the Seller shall be relieved of its obligations and liabilities under this Agreement but (i) all rights, remedies, obligations and liabilities of the Seller hereunder shall continue and be enforceable by and against and assumed by such Affiliate, (ii) the Purchaser's obligations and liabilities hereunder shall continue to be outstanding and (iii) all references to the Seller herein shall be deemed to be references to such Affiliate. The Seller will give the Purchaser notice of any such assignment; *provided, however*, that the failure to provide such notice shall not void any such assignment.

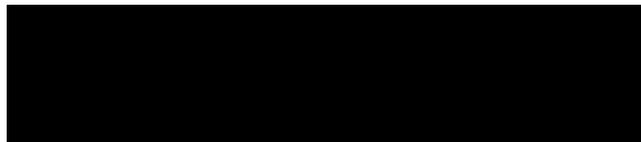
7.08. Severability. Any term or provision of this Agreement which is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid, illegal or unenforceable the remaining terms and provisions of this Agreement or affecting the validity, legality or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction, and if any provision of this Agreement is determined to be so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable, in all cases so long as neither the economic nor legal substance of the transactions contemplated hereby is affected in any manner materially adverse to any party or its shareholders. Upon any such determination, the parties shall negotiate in good faith in an effort to agree upon a suitable and equitable substitute provision to effect the original intent of the parties.

7.09. No Third Party Beneficiaries. The rights created in this Agreement shall inure solely to the benefit of the Seller and the Purchaser, and nothing in this Agreement shall be deemed to confer any rights or remedies on any parties other than the Seller or the Purchaser.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

TREATY OAK BANCORP, INC.



Name: JEFFREY L. NASH
Title: PRESIDENT

**UNITED STATES DEPARTMENT OF
THE TREASURY**

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

TREATY OAK BANCORP, INC.

By: _____
Name:
Title:

**UNITED STATES DEPARTMENT OF
THE TREASURY**

By: 
Name: Timothy G. Massad
Title: Acting Assistant Secretary
for Financial Stability

ANNEX A

Form of Warrant

THE SECURITIES REPRESENTED BY THIS INSTRUMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE TRANSFERRED, SOLD OR OTHERWISE DISPOSED OF EXCEPT WHILE A REGISTRATION STATEMENT RELATING THERETO IS IN EFFECT UNDER SUCH ACT AND APPLICABLE STATE SECURITIES LAWS OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH LAWS.

**WARRANT
to purchase
3,098,341
Shares of Common Stock
of Treaty Oak Bancorp, Inc.**

Issue Date: February 15, 2011

1. Definitions. Unless the context otherwise requires, when used herein the following terms shall have the meanings indicated.

“*Affiliate*” has the meaning ascribed to it in the Securities Repurchase Agreement.

“*Appraisal Procedure*” means a procedure whereby two independent appraisers, one chosen by the Company and one by the Warrantholder, shall mutually agree upon the determinations then the subject of appraisal. Each party shall deliver a notice to the other appointing its appraiser within 15 days after the Appraisal Procedure is invoked. If within 30 days after appointment of the two appraisers they are unable to agree upon the amount in question, a third independent appraiser shall be chosen within 10 days thereafter by the mutual consent of such first two appraisers. The decision of the third appraiser so appointed and chosen shall be given within 30 days after the selection of such third appraiser. If three appraisers shall be appointed and the determination of one appraiser is disparate from the middle determination by more than twice the amount by which the other determination is disparate from the middle determination, then the determination of such appraiser shall be excluded, the remaining two determinations shall be averaged and such average shall be binding and conclusive upon the Company and the Warrantholder; otherwise, the average of all three determinations shall be binding upon the Company and the Warrantholder. The costs of conducting any Appraisal Procedure shall be borne by the Company.

“*Board of Directors*” means the board of directors of the Company, including any duly authorized committee thereof.

“*Business Combination*” means a merger, consolidation, statutory share exchange or similar transaction that requires the approval of the Company’s stockholders.

“*business day*” means any day except Saturday, Sunday and any day on which banking institutions in the State of New York generally are authorized or required by law or other governmental actions to close.

“*Charter*” means, with respect to any Person, its certificate or articles of incorporation, articles of association, or similar organizational document.

“*Common Stock*” means the common stock, par value \$0.01 per share, of the Company.

“*Company*” means the Person whose name, corporate or other organizational form and jurisdiction of organization is set forth in Item 1 of Schedule A hereto.

“*Distribution*” has the meaning set forth in Section 13(C).

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Exercise Price*” means the amount set forth in Item 2 of Schedule A hereto.

“*Expiration Time*” has the meaning set forth in Section 3.

“*Fair Market Value*” means, with respect to any security or other property, the fair market value of such security or other property as determined (i) in the event that any portion of the Warrant is held by the original Warrantholder, by the Original Warrantholder or (ii) in all other circumstances, the Board of Directors, acting in good faith. The Company or the Warrantholder may object in writing to such calculation of fair market value by the Original Warrantholder or the Company, as the case may be within 10 days of receipt of written notice thereof. If the Warrantholder and the Company are unable to agree on fair market value during the 10-day period following the delivery of the objection, the Appraisal Procedure may be invoked by either party to determine Fair Market Value by delivering written notification thereof not later than the 30th day after delivery of the objection.

“*Issue Date*” means the date set forth in Item 3 of Schedule A hereto.

“*Original Warrantholder*” means the United States Department of the Treasury and any successor or assign that is an Affiliate of the United States Department of the Treasury. Any actions specified to be taken by the Original Warrantholder hereunder may only be taken by such Person and not by any other Warrantholder.

“*Person*” has the meaning given to it in Section 3(a)(9) of the Exchange Act and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

“*Securities Repurchase Agreement*” means the Securities Repurchase Agreement, dated as of February 15, 2011, as amended from time to time, between the Company and the United States Department of the Treasury, including all annexes, exhibits and schedules thereto.

“*Shares*” has the meaning set forth in Section 2.

“*U.S. GAAP*” means United States generally accepted accounting principles.

“*Warrant*” means this Warrant, issued pursuant to the Securities Repurchase Agreement.

“*Warrantholder*” has the meaning set forth in Section 2.

2. Number of Shares; Exercise Price. This certifies that, for value received, the United States Department of the Treasury and its successors and assigns (the “Warrantholder”) is entitled, upon the terms and subject to the conditions hereinafter set forth, to acquire from the Company, in whole or in part, up to an aggregate of the number of fully paid and nonassessable shares of Common Stock set forth in Item 5 of Schedule A hereto (the “Shares”), at a purchase price per Share equal to the Exercise Price. The Exercise Price is subject to adjustment as provided herein, and all references to “Exercise Price” herein shall be deemed to include any such adjustment or series of adjustments.

3. Exercise of Warrant; Term. Subject to Section 2, to the extent permitted by applicable laws and regulations, the right to purchase the Shares represented by this Warrant is exercisable in whole or in part by the Warrantholder at any time or from time to time after the execution and delivery of this Warrant by the Company on the date hereof, but in no event later than 5:00 p.m., New York City time on February 15, 2021 (the “Expiration Time”), by (A) the surrender of this Warrant and Notice of Exercise, in substantially the form set forth in Annex A attached hereto, duly completed and executed on behalf of the Warrantholder, at the principal executive office of the Company located at the address set forth in Item 6 of Schedule A hereto (or such other office or agency of the Company in the United States as it may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company), and (B) payment of the Exercise Price for the Shares thereby purchased:

(i) by having the Company withhold, from the shares of Common Stock that would otherwise be delivered to the Warrantholder upon such exercise, shares of Common Stock issuable upon exercise of the Warrant equal in value to the aggregate Exercise Price as to which this Warrant is so exercised based on the Fair Market Value of the Common Stock on the day on which this Warrant is exercised and the Notice of Exercise is delivered to the Company pursuant to this Section 3, or

(ii) by tendering in cash, by certified or cashier’s check payable to the order of the Company, or by wire transfer of immediately available funds to an account designated by the Company.

At the option of the Warrantholder, in lieu of issuing the Shares to the Warrantholder as provided in the preceding sentence, the Company will pay to the Warrantholder an amount in cash (by wire transfer of immediately available funds to an account designated in writing by the Warrantholder) equal to the product of (x) the Shares otherwise deliverable upon such exercise in

accordance with subsections (i) or (ii) of the previous sentence, as applicable, and (y) the Fair Market Value of the Common Stock on the day on which this Warrant is exercised and the Notice of Exercise is delivered to the Company.

If the Warrantholder does not exercise this Warrant in its entirety, the Warrantholder will be entitled to receive from the Company within a reasonable time, and in any event not exceeding three business days, a new warrant in substantially identical form for the purchase of that number of Shares equal to the difference between the number of Shares subject to this Warrant and the number of Shares as to which this Warrant is so exercised (or deemed exercised).

4. Issuance of Shares; Authorization. Certificates for Shares issued upon exercise of this Warrant will be issued in such name or names as the Warrantholder may designate and will be delivered to such named Person or Persons within a reasonable time, not to exceed three business days after the date on which this Warrant has been duly exercised in accordance with the terms of this Warrant. The Company hereby represents and warrants that any Shares issued upon the exercise of this Warrant in accordance with the provisions of Section 3 will be duly and validly authorized and issued, fully paid and nonassessable and free from all taxes, liens and charges (other than liens or charges created by the Warrantholder, income and franchise taxes incurred in connection with the exercise of the Warrant or taxes in respect of any transfer occurring contemporaneously therewith). The Company agrees that the Shares so issued will be deemed to have been issued to the Warrantholder as of the close of business on the date on which this Warrant and payment of the Exercise Price are delivered to the Company in accordance with the terms of this Warrant, notwithstanding that the stock transfer books of the Company may then be closed or certificates representing such Shares may not be actually delivered on such date. The Company will at all times reserve and keep available, out of its authorized but unissued Common Stock, solely for the purpose of providing for the exercise of this Warrant, the aggregate number of shares of Common Stock then issuable upon exercise of this Warrant at any time. If the Common Stock is listed on any national securities exchange, the Company will (A) procure, at its sole expense, the listing of the Shares issuable upon exercise of this Warrant at any time, subject to issuance or notice of issuance, on all principal stock exchanges on which the Common Stock is then listed or traded and (B) maintain such listings of such Shares at all times after issuance. The Company will use reasonable best efforts to ensure that the Shares may be issued without violation of any applicable law or regulation or of any requirement of any securities exchange on which the Shares are listed or traded.

5. No Fractional Shares or Scrip. No fractional Shares or scrip representing fractional Shares shall be issued upon any exercise of this Warrant. In lieu of any fractional Share to which the Warrantholder would otherwise be entitled, the Warrantholder shall be entitled to receive a cash payment equal to the Fair Market Value of the Common Stock on the last day preceding the date of exercise less the pro-rated Exercise Price for such fractional share.

6. No Rights as Stockholders; Transfer Books. This Warrant does not entitle the Warrantholder to any voting rights or other rights as a stockholder of the Company prior to the date of exercise hereof. The Company will at no time close its transfer books against transfer of this Warrant in any manner which interferes with the timely exercise of this Warrant.

7. Charges, Taxes and Expenses. Issuance of certificates for Shares to the Warrantholder upon the exercise of this Warrant shall be made without charge to the Warrantholder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificates, all of which taxes and expenses shall be paid by the Company.

8. Transfer/Assignment.

(A) Subject to compliance with clause (B) of this Section 8, this Warrant and all rights hereunder are transferable and assignable, in whole or in part, upon the books of the Company by the registered holder hereof in person or by duly authorized attorney, and a new warrant shall be made and delivered by the Company, of the same tenor and date as this Warrant but registered in the name of one or more transferees, upon surrender of this Warrant, duly endorsed, to the office or agency of the Company described in Section 3. All expenses (other than stock transfer taxes) and other charges payable in connection with the preparation, execution and delivery of the new warrants pursuant to this Section 8 shall be paid by the Company.

(B) If and for so long as required by the Securities Repurchase Agreement, this Warrant shall contain the legend as set forth in Section 4.05(a) of the Securities Repurchase Agreement.

9. Exchange and Registry of Warrant. This Warrant is exchangeable, upon the surrender hereof by the Warrantholder to the Company, for a new warrant or warrants of like tenor and representing the right to purchase the same aggregate number of Shares. The Company shall maintain a registry showing the name and address of the Warrantholder as the registered holder of this Warrant. This Warrant may be surrendered for exchange or exercise in accordance with its terms, at the office of the Company, and the Company shall be entitled to rely in all respects, prior to written notice to the contrary, upon such registry.

10. Loss, Theft, Destruction or Mutilation of Warrant. Upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant, and in the case of any such loss, theft or destruction, upon receipt of a bond, indemnity or security reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company shall make and deliver, in lieu of such lost, stolen, destroyed or mutilated Warrant, a new Warrant of like tenor and representing the right to purchase the same aggregate number of Shares as provided for in such lost, stolen, destroyed or mutilated Warrant.

11. Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a business day, then such action may be taken or such right may be exercised on the next succeeding day that is a business day.

12. Rule 144 Information. The Company covenants that it will use its reasonable best efforts to timely file all reports and other documents required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations promulgated by the SEC thereunder (or, if the Company is not required to file such reports, it will, upon the request of any Warrantholder, make publicly available such information as necessary to permit sales pursuant to

Rule 144 under the Securities Act), and it will use reasonable best efforts to take such further action as any Warrantholder may reasonably request, in each case to the extent required from time to time to enable such holder to, if permitted by the terms of this Warrant and the Securities Repurchase Agreement, sell this Warrant without registration under the Securities Act within the limitation of the exemptions provided by (A) Rule 144 under the Securities Act, as such rule may be amended from time to time, or (B) any successor rule or regulation hereafter adopted by the SEC. Upon the written request of any Warrantholder, the Company will deliver to such Warrantholder a written statement that it has complied with such requirements.

13. Restrictions on Certain Company Actions.

(A) Stock Splits, Subdivisions, Reclassifications or Combinations. The Company shall not (i) declare and pay a dividend or make a distribution on its Common Stock in shares of Common Stock, (ii) subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares, or (iii) combine or reclassify the outstanding shares of Common Stock into a smaller number of shares.

(B) Issuances of Common Shares or Convertible Securities. The Company shall not issue any shares of Common Stock (or rights or warrants or other securities exercisable or convertible into or exchangeable for shares of Common Stock) other than shares of Common Stock issued upon exercise of stock options or other awards outstanding as of February ___, 2011.

(C) Distributions. Until the Deferred Purchase Price (as such term is defined in the Securities Repurchase Agreement) is paid in full in cash in accordance with the terms of the Securities Repurchase Agreement, the Company shall not pay any dividend or make any distributions to the holders of its Common Stock of securities, evidences of indebtedness, assets, cash, rights or warrants (each, a "Distribution").

(D) Repurchases of Common Stock. The Company shall not directly or indirectly effect any repurchase of Common Stock or otherwise purchase or acquire, any shares of Common Stock or securities convertible or exercisable for shares of its Common Stock, other than upon the conversion or exercise of Securities outstanding as of February 15, 2011.

(E) Business Combinations. The Company shall not enter into any Business Combination or reclassification of Common Stock.

14. Adjustments. The Exercise Price of this Warrant shall be subject to adjustment from time to time as follows:

(A) Distributions. After the Deferred Purchase Price has been paid in full in cash in accordance with the terms of the Securities Repurchase Agreement, the Company may make any Distributions to the holders of its Common Stock in accordance with this Section 14(A).

"*Aggregate Share Amount*" means the aggregate number of Shares issuable under this Warrant and all other Warrants of the same class of the Company assuming the exercise in full of such Warrants. The Aggregate Share Amount shall initially be 3,098,341.

“Aggregate Exercise Price” means the aggregate Exercise Price of this Warrant and all other Warrants of the same class of the Company assuming the exercise in full of such Warrants. The Aggregate Exercise Price shall initially be \$650,031.94.

If the Fair Market Value of the Distribution is equal to or less than the Aggregate Exercise Price, then the Exercise Price shall be adjusted to equal (i) the Aggregate Exercise Price immediately prior to such distribution minus the Fair Market Value of the Distribution divided by (ii) the Aggregate Share Amount immediately prior to such Distribution (but the Exercise Price shall not be adjusted below zero). If the Fair Market Value of the Distribution exceeds the Aggregate Exercise Price immediately prior to such Distribution, then (i) the Exercise Price shall be reduced to zero and (ii) the Company will distribute the same Distribution (proportionately reduced to reflect such portion of the Distribution that reduced the Exercise Price, if any), to the Warrantholder that the Warrantholder would have been entitled to receive assuming that this Warrant had been exercised in full immediately prior to the record date for such Distribution (or, if there is no record date, such Distribution).

(B) Rounding of Calculations; Minimum Adjustments. All calculations under this Section 14 shall be made to the nearest one-tenth (1/10th) of a cent. Any provision of this Section 14 to the contrary notwithstanding, no adjustment in the Exercise Price into which this Warrant is exercisable shall be made if the amount of such adjustment would be less than \$0.01, but any such amount shall be carried forward and an adjustment with respect thereto shall be made at the time of and together with any subsequent adjustment which, together with such amount and any other amount or amounts so carried forward, shall aggregate \$0.01, or more.

(C) Other Events. For so long as the Original Warrantholder holds this Warrant or any portion thereof, if any event occurs as to which the provisions of this Section 14 are not strictly applicable or, if strictly applicable, would not, in the good faith judgment of the Board of Directors of the Company, fairly and adequately protect the purchase rights of the Warrants in accordance with the essential intent and principles of such provisions, then the Board of Directors shall make such adjustments in the application of such provisions, in accordance with such essential intent and principles, as shall be reasonably necessary, in the good faith opinion of the Board of Directors, to protect such purchase rights as aforesaid. The Exercise Price or the number of Shares into which this Warrant is exercisable shall not be adjusted in the event of a change in the par value of the Common Stock or a change in the jurisdiction of incorporation of the Company.]

(D) Statement Regarding Adjustments. Whenever the Exercise Price shall be adjusted as provided in Section 14, the Company shall forthwith file at the principal office of the Company a statement showing in reasonable detail the facts requiring such adjustment and the Exercise Price that shall be in effect after such adjustment, and the Company shall also cause a copy of such statement to be sent by mail, first class postage prepaid, to each Warrantholder at the address appearing in the Company’s records.

(E) Notice of Adjustment Event. In the event that the Company shall propose to take any action of the type permitted in this Section 14, the Company shall give notice to the Warrantholder, in the manner set forth in Section 14(F), which notice shall specify the record date, if any, with respect to any such action and the approximate date on which such action is to

take place. Such notice shall also set forth the facts with respect thereto as shall be reasonably necessary to indicate the effect on the Exercise Price and the number, kind or class of shares or other securities or property which shall be deliverable. In the case of any action which would require the fixing of a record date, such notice shall be given at least 10 days prior to the date so fixed, and in case of all other action, such notice shall be given at least 15 days prior to the taking of such proposed action. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

(F) Proceedings Prior to Any Action Requiring Adjustment. As a condition precedent to the taking of any action which would require an adjustment pursuant to this Section 14, the Company shall take any action which may be necessary, including obtaining regulatory applicable national securities exchange or stockholder approvals or exemptions, in order that the Company may thereafter validly and legally issue as fully paid and nonassessable all shares of Common Stock that the Warrantholder is entitled to receive upon exercise of this Warrant pursuant to this Section 14.

(G) Adjustment Rules. Any adjustments pursuant to this Section 14 shall be made successively whenever an event referred to herein shall occur.

15. Exchange. At any time the Original Warrantholder may cause the Company to exchange all or a portion of this Warrant for an economic interest or security (to be determined by the Original Warrantholder after consultation with the Company) of the Company classified as permanent equity under U.S. GAAP having a value equal to the Fair Market Value of the portion of the Warrant so exchanged. The Original Warrantholder shall calculate any Fair Market Value required to be calculated pursuant to this Section 15, which shall not be subject to the Appraisal Procedure.

16. No Impairment. The Company will not, by amendment of its Charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in taking of all such action as may be necessary or appropriate in order to protect the rights of the Warrantholder.

17. Governing Law, etc. This Warrant and any claim, controversy or dispute arising under or related to this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties shall be enforced, governed and construed in all respects (whether in contract or in tort) in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such State. Each of the Company and the Warrantholder agrees (a) to submit to the exclusive jurisdiction and venue of the United States District Court for the District of Columbia for any civil action, suit or proceeding arising out of or relating to this Warrant or the transactions contemplated hereby, and (b) that notice may be served upon the Company at the address in Section 21 below and upon the Warrantholder at the address for the Warrantholder set forth in the registry maintained by the Company pursuant to Section 9 hereof. To the extent permitted by applicable law, each of the Company and the Warrantholder hereby unconditionally waives trial

by jury in any civil legal action or proceeding relating to the Warrant or the transactions contemplated hereby or thereby.

18. Binding Effect. This Warrant shall be binding upon any successors or assigns of the Company.

19. Amendments. This Warrant may be amended and the observance of any term of this Warrant may be waived only with the written consent of the Company and the Warrantholder.

20. Prohibited Actions. The Company agrees that it will not take any action which would entitle the Warrantholder to an adjustment of the Exercise Price if the total number of shares of Common Stock issuable after such action upon exercise of this Warrant, together with all shares of Common Stock then outstanding and all shares of Common Stock then issuable upon the exercise of all outstanding options, warrants, conversion and other rights, would exceed the total number of shares of Common Stock then authorized by its Charter.

21. Notices. Any notice, request, instruction or other document to be given hereunder by any party to the other will be in writing and will be deemed to have been duly given (a) on the date of delivery if delivered personally, or by facsimile, upon confirmation of receipt, or (b) on the second business day following the date of dispatch if delivered by a recognized next day courier service. All notices hereunder shall be delivered as set forth in Item 7 of Schedule A hereto, or pursuant to such other instructions as may be designated in writing by the party to receive such notice.

22. Entire Agreement. This Warrant, the forms attached hereto and Schedule A hereto (the terms of which are incorporated by reference herein), the Securities Repurchase Agreement (including all documents incorporated therein) and the Pledge Agreement dated February 15, 2011 by and between the Company and the Warrantholder contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior and contemporaneous arrangements or undertakings with respect thereto.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed by a duly authorized officer.

Dated: February __, 2011

COMPANY: TREATY OAK BANCORP, INC.

By: _____
Name:
Title:

Attest:

By: _____
Name:
Title:

ANNEX A

Form of Notice of Exercise

Date: [_____]

TO: Treaty Oak Bancorp, Inc.

RE: Election to Purchase Common Stock

The undersigned, pursuant to the provisions set forth in the attached Warrant, hereby agrees to subscribe for and purchase the number of shares of the Common Stock set forth below covered by such Warrant. The undersigned, in accordance with Section 3 of the Warrant, hereby agrees to pay the aggregate Exercise Price for such shares of Common Stock in the manner set forth below. A new warrant evidencing the remaining shares of Common Stock covered by such Warrant, but not yet subscribed for and purchased, if any, should be issued in the name set forth below.

Number of Shares of Common Stock

Method of Payment of Exercise Price (note if cashless exercise pursuant to Section 3(i) of the Warrant or cash exercise pursuant to Section 3(ii) of the Warrant, with consent of the Company and the Warrantholder: _____

Aggregate Exercise Price: _____

[In lieu of the delivery of the Shares of Common Stock, the Warrantholder is electing to have the Company pay it cash in accordance with Section 3 of the Warrant.]

Holder: _____

By: _____

Name: _____

Title: _____

ANNEX B

Form of Pledge Agreement

PLEDGE AGREEMENT

This **PLEDGE AGREEMENT**, dated as of February 15, 2011 (as amended, supplemented or otherwise modified from time to time, this "Agreement"), is made and entered into by Treaty Oak Bancorp, Inc. (the "Pledgor") in favor of the United States Department of the Treasury (the "Pledgee").

WHEREAS, pursuant to an Amended and Restated Stock Purchase Agreement effective as of December 21, 2010 (as amended, supplemented or otherwise modified from time to time, the "Carlile Agreement"), the Pledgor agreed to sell to Carlile Bancshares, Inc., a Texas corporation with its principal offices in Fort Worth, Texas (together with any successor thereof, "Carlile"), all of the outstanding capital stock of the Treaty Oak Bank, a Texas banking association with its principal offices in Austin, Texas.

WHEREAS, pursuant to a Securities Repurchase Agreement, dated as of February 15, 2011 (as amended, supplemented or otherwise modified from time to time, the "Securities Repurchase Agreement") by and between the Pledgor and the Pledgee, the Pledgor has agreed to repurchase from the Pledgee all of the (i) Fixed Rate Cumulative Perpetual Preferred Stock, Series B and (ii) Fixed Rate Cumulative Perpetual Preferred Stock, Series C (collectively, the "Shares") issued by the Pledgor and owned by the Pledgee. As part of the consideration for such Shares, the Pledgor has agreed to pay the Pledgee a deferred purchase price of \$150,000 (as defined in the Securities Repurchase Agreement, the "Deferred Purchase Price").

WHEREAS, the Pledgor will pursuant to the Carlile Agreement become the obligee on a secured promissory note made by Carlile to the Pledgor in the aggregate principal amount of \$150,000 (the "Carlile Note"), and Carlile's obligations thereunder are secured by loans and other real estate owned held by Carlile Capital, LLC (the "Carlile Assets") which security interest will be granted under and perfected by the documents listed on Schedule I hereto (collectively, the "Carlile Collateral Documents").

WHEREAS, in the Securities Repurchase Agreement the Pledgor has agreed that its obligations with respect to the Deferred Purchase Price are to be secured by a pledge of the Carlile Note (the Carlile Note and all rights and interests arising under the Carlile Collateral Documents are referred to herein as the "Pledged Instrument") to the Pledgee.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Pledgor hereby agrees with the Pledgee, as follows:

1. Security Interest. The Pledgor hereby pledges, assigns and grants to the Pledgee a first priority security interest and lien in the "Collateral" (as hereinafter defined) to secure the prompt and complete payment and performance of the "Secured Obligations" (as hereinafter defined).

2. Collateral. The pledge and security interest described above are granted in respect of the following collateral, whether now existing or hereafter from time to time acquired (the “Collateral”):

(a) All of the Pledgor’s right, title and interest in and to the Pledged Instrument, including all certificates, agreements or instruments, if any, representing the Pledged Instrument, options, pledges, security interests and other rights of any nature whatsoever which may be issued or granted to the Pledgor in respect of the Pledgor’s interest in the Pledged Instrument while this Agreement is in effect, and all income and benefits, including all payments of any kind (including payments of principal arising thereunder, dividends, distributions payable or distributable in cash, property, or stock but excluding the regular quarterly interest payments of 2% per annum paid thereunder), registration rights and subscription rights, instruments and other property from time to time received, collected, receivable or otherwise distributed in respect of, pursuant to or in exchange for any or all of the Pledgor’s interest in any of the foregoing and all proceeds of the foregoing; and

(b) All additions, substitutes, replacements for and proceeds of the property described in paragraph (a) above (including all notes, bonds and other evidences of indebtedness, shares, units, membership interests or other proceeds of conversions or splits of any securities included in the Collateral). Any additions, substitutes, replacements for and proceeds of the property described in paragraph (a) above that is cash or a cash equivalent shall, if delivered to the Pledgor, be held in trust by the Pledgor for the Pledgee and delivered to the Pledgee in accordance with Section 6(j). Any securities received by the Pledgor which constitute such additions, substitutes and replacements for, or proceeds of, the property described in paragraph (a) above shall, if delivered to the Pledgor, be held in trust by the Pledgor for the Pledgee and shall be immediately delivered to the Pledgee to the address specified in Section 11(c).

3. Secured Obligations. The following obligations (collectively, the “Secured Obligations”) are secured by this Agreement:

(a) The full and prompt payment when due of the Deferred Purchase Price and all debts, obligations and liabilities of the Pledgor owing to the Pledgee, whether now existing or hereafter incurred, arising under this Agreement and any and all renewals, extensions and rearrangements thereof, and the due performance and compliance by the Pledgor with all of the terms, conditions and agreements contained herein and in the Securities Repurchase Agreement; and

(b) All costs and expenses incurred by the Pledgee, including taxes, assessments, the reasonable fees, disbursements and other charges of the Pledgee’s legal counsel and financial advisors, and expenses of sales, to enforce this Agreement and the Securities Repurchase Agreement, to maintain, preserve, collect and realize upon the Collateral and all costs and expenses incurred by the Pledgee relating to the Carlile Note and any of the Carlile Collateral Documents.

4. Procedure. The Pledgor shall deliver the Carlile Note and any investment securities and other instruments and documents which are a part of the Collateral and in the Pledgor's possession to the Pledgee, in a form suitable for transfer by delivery or accompanied by duly executed instruments of transfer or assignment in blank with signatures appropriately guaranteed in form and substance suitable to the Pledgee. To the extent that the Pledgor at any time or from time to time owns, acquires or obtains any right, title or interest in any Collateral, such Collateral shall automatically (and without the taking of any action by the Pledgor) be pledged pursuant to Section 2, and the Pledgor shall immediately take such actions as the Pledgee shall reasonably request with respect thereto to perfect its security interest therein.

5. Representations and Warranties. The Pledgor hereby represents and warrants to the Pledgee as follows:

(a) Jurisdiction of Incorporation. The exact legal name of the Pledgor, the type of organization of the Pledgor, the jurisdiction of organization of the Pledgor and the organizational identification number of the Pledgor is listed on Schedule II hereto. The Pledgor is duly organized, validly existing and in good standing under the laws of Texas.

(b) Authority and Compliance. The Pledgor has full power and capacity to execute and deliver this Agreement and to incur and perform the obligations provided for herein. No consent or approval of any governmental authority or other third party is or will be required as a condition to the enforceability of this Agreement.

(c) Binding Agreement. This Agreement is duly authorized, executed and delivered by the Pledgor and is enforceable against the Pledgor in accordance with its terms.

(d) Ownership. The Pledgor will, upon the completion of the transactions contemplated by the Carlile Agreement be the sole record and beneficial owner of the Pledged Instrument, free and clear of any right of setoff (except as provided in the Carlile Agreement and the Pledged Instrument), claim, pledge, lien, security interest, encumbrance or other charge of any type ("Lien"), except for the security interest created hereunder.

(e) No Conflict. Neither the execution and delivery of this Agreement, nor the consummation of the transactions contemplated hereby, nor the fulfillment of, nor the compliance with, the terms, conditions or provisions hereof, will conflict with, result in a breach of, or constitute a default under (i) any relevant statute, law, ordinance, rule or regulation applicable to the Pledgor or the Collateral or (ii) any indenture, agreement or other instrument, or any judgment, order or decree, to which the Pledgor is a party or by which any of its assets including the Collateral, may be bound. There is no litigation, claim or judicial, administrative or governmental proceeding of which the Pledgor has been notified or, to the

knowledge of the Pledgor, threatened with respect to the Collateral, nor is there any basis for any such litigation, claim or proceeding.

(f) Security Interest. The pledge of the Collateral pursuant to this Agreement creates a valid security interest in the Collateral and a perfected first priority security interest in the Collateral, securing the payment of the Secured Obligations.

(g) Financing Statements. No financing statement or similar instrument covering the Collateral is or will be on file in any public office, and no security interest has attached or been perfected in the Collateral or any part thereof, other than the financing statement filed in favor of the Pledgee as secured party pursuant to the terms of this Agreement and the security interest created herein.

6. Pledgor's Covenants. Until full payment and performance of all of the Secured Obligations, unless the Pledgee otherwise consents in writing:

(a) Perfection of Lien. On or before the date hereof, the Pledgor shall cause the Carlile Collateral Documents to be executed and in full force and effect and the Pledgor shall obtain a first priority, perfected Lien on and security interest in the Carlile Assets in accordance with the terms of the Carlile Collateral Documents and, at all times after the first date on which the Lien on and security interest in the Carlile Assets is perfected, the Pledgor shall maintain a perfected, valid and enforceable Lien on and security interest in the Carlile Assets.

(b) Rights to Collateral. The Pledgor shall defend the Collateral against all claims and demands of all persons at any time claiming any interest therein adverse to the Pledgee. The Pledgor shall keep the Collateral free from all Liens, except the security interest hereby created.

(c) Sale or Assignment. Except as contemplated by this Agreement, the Pledgor shall not sell, assign, transfer, lease, lend, assign or otherwise hypothecate, pledge or encumber the Collateral or any interest therein nor reduce the Pledgor's interest in any of the Collateral.

(d) Carlile Related Documents; Amendment and Waiver. Each of the Carlile Collateral Documents shall be in form and substance satisfactory to the Pledgee. The Pledgor shall not consent to any amendment, waiver, modification or forbearance under the Carlile Agreement, the Carlile Note, the Carlile Collateral Documents, or to any other document, instrument or agreement governing the terms of the Collateral or the rights of the Pledgor with respect thereto except with the prior written consent of the Pledgee.

(e) Pledgee's Costs. The Pledgor shall pay all costs and expenses, including taxes, assessments, the reasonable fees, disbursements and other charges of the Pledgee's legal counsel and financial advisors, and expenses of sales, to enforce this Agreement and the Securities Repurchase Agreement, to maintain, preserve, collect and realize upon the Collateral and all costs and expenses incurred by the

Pledgee relating to the Carlile Note and any of the Carlile Collateral Documents. Whether the Collateral is or is not in the Pledgee's possession, and without any obligation to do so and without waiving the Pledgor's default for failure to make any such payment, the Pledgee at its option may pay any such reasonable costs and expenses and discharge encumbrances on the Collateral, and such payments shall be a part of the Secured Obligations. The Pledgor agrees to reimburse the Pledgee on demand for any costs so incurred.

(f) Additional Documents. The Pledgor will, from time to time, at its own expense, execute, deliver, file and record any statement, assignment, instrument, document, agreement or other paper and take any other action that from time to time may be necessary or desirable, or that the Pledgee may reasonably request, in order to: (i) create, preserve, perfect, confirm or validate the Pledgor's lien on the Collateral and cause the Pledgee to have control thereof (as "control" is defined in the Uniform Commercial Code as in effect from time to time in the State of New York); (ii) enable the Pledgee to exercise and enforce any of its rights, powers and remedies with respect to the Collateral; (iii) enable the Pledgee to comply with any federal or state law in order to obtain, create or perfect the Pledgee's interest in the Collateral; or (iv) enable the Pledgee to obtain the full benefits of this Agreement. The Pledgor authorizes the Pledgee to execute and file such financing statements or continuation statements in such jurisdictions with such descriptions of collateral and other information set forth therein as the Pledgee may reasonably deem necessary or desirable for the purposes set forth in the preceding sentence.

(g) Notice of Changes. The Pledgor shall notify the Pledgee at least thirty days prior to any change in the Pledgor's legal name, address, jurisdiction of incorporation, identity or corporate structure.

(h) Power of Attorney. The Pledgor hereby appoints the Pledgee and any officer thereof as the Pledgor's attorney-in-fact with full power in the Pledgor's name and on the Pledgor's behalf, from time to time after the occurrence and during the continuance of an "Event of Default" (as defined below), to do every act which the Pledgor is obligated to do or may be required to do hereunder or to take any action or institute any proceedings or execute any instrument which the Pledgee may deem reasonably necessary or advisory to accomplish the purposes of this Agreement; however, nothing in this paragraph shall be construed to obligate the Pledgee to take any action hereunder nor shall the Pledgee be liable to the Pledgor for failure to take any action hereunder. This appointment shall be deemed a power coupled with an interest and shall not be terminable as long as the Secured Obligations are outstanding.

(i) Other Parties and Other Collateral. No renewal or extensions of or any other indulgence with respect to the Secured Obligations or any part thereof, no release of any security, no release of any person (including any maker, indorser, guarantor or surety) liable on the Secured Obligations, no delay in enforcement of payment, and no delay or omission or lack of diligence or care in exercising any

right or power with respect to the Secured Obligations or any security therefor or guaranty thereof or under this Agreement shall in any manner impair or affect the rights of the Pledgee under any law, hereunder or under the Securities Repurchase Agreement. The Pledgee shall not be required to file suit or assert a claim for personal judgment against any person for any part of the Secured Obligations or seek to realize upon any other security for the Secured Obligations, before foreclosing or otherwise realizing upon the Collateral. The Pledgor waives any right that can be waived to the benefit of or to require or control application of any other security or proceeds thereof, and agrees that the Pledgee shall have no duty or obligation to the Pledgor to apply to the Secured Obligations any such other security or proceeds thereof. The Pledgor waives any right to require that any action be brought against any other person or to require that resort be had to any other security. The Pledgor further waives any right of subrogation or to enforce any right of action against any other obligor on any Secured Obligation or other pledgor to the Pledgee of collateral for the Secured Obligations until the Secured Obligations are paid in full.

(j) Copies of Written Notices. The Pledgor shall deliver to the Pledgee copies of any written notices or other form of reporting that the Pledgor and Carlile deliver to one another under the Carlile Agreement, the Carlile Note, the Carlile Collateral Documents, or any other document, instrument or agreement governing the terms of the Collateral or the rights of the Pledgor with respect thereto, within five business days of receipt (or deemed receipt) thereof by the Pledgor or Carlile, as the case may be.

(k) Payment/Assignment Covenant. The Pledgor shall pay the Deferred Purchase Price to the Pledgee in one or more installments, each equal to the lesser of each payment made on or in respect of the Carlile Note (other than the regular quarterly interest payments of 2% per annum) and the remaining unpaid balance of the Deferred Purchase Price. In furtherance of the foregoing, until the Deferred Purchase Price has been paid in full in cash, the Pledgor shall cause Carlile to pay all amounts due under or in respect of the Carlile Note (other than the regular quarterly interest payments of 2% per annum) directly to the Pledgee as a payment by the Pledgor of the Deferred Purchase Price. In the event any of the payments are paid by Carlile to the Pledgor, such payments shall be received in trust for the benefit of the Pledgee, shall be segregated from other property of the Pledgor and the Pledgor shall immediately transfer such payments to the Pledgee. All payments under this Section 6(k) shall be made by wire transfer of immediately available funds, to an account designated in writing by the Pledgee to the Pledgor. Such account shall initially be the account designated under Section 2.02(B)(2) of the Securities Repurchase Agreement and may be changed from time to time by the Pledgee. Until the Deferred Purchase Price has been paid in full in cash, any non cash payment, distributions, additions, substitutes and replacements for, or proceeds of, the property described above in Section 2, shall, if delivered to the Pledgor, be held in trust by the Pledgor for the Pledgee and shall be immediately delivered to the Pledgee to the address specified in Section 11(c).

7. Voting. Until all Secured Obligations are paid in full in cash, the Pledgor shall not (i) be entitled to exercise any consent or voting rights with respect to, or attaching to any of the Collateral or give consents, waivers or ratifications in respect thereof, and (ii) cast any vote or give any consent, waiver or ratification or take any other action that would violate or be inconsistent with the terms of this Agreement or the Securities Repurchase Agreement.

8. Assignment of Payments, Dividends and Distributions. Without limiting the Pledgor's obligations and the Pledgee's rights under Sections 2(b) and 6(k), if at any time there shall have occurred an Event of Default, the Pledgee shall be entitled to receive directly, and to retain as part of the Collateral all notes, instruments, stock or other securities or property paid or distributed by way of dividend or otherwise in respect of the Collateral or by reason of any consolidation, merger exchange of stock, conveyance of assets, liquidation or similar corporate reorganization. Without limiting the Pledgor's obligations and the Pledgee's rights under Sections 2(b) and 6(k), if at any time there shall have occurred an Event of Default, all dividends, distributions or other payments which are received by the Pledgor shall be received in trust for the benefit of the Pledgee, shall be segregated from other property of the Pledgor and shall be forthwith paid over to the Pledgee as Collateral in the same form received (with any necessary endorsement).

9. Defaults. A default (an "Event of Default") shall be deemed to have occurred hereunder if:

- (a) all or any portion of the Deferred Purchase Price is not fully paid when due under the Securities Repurchase Agreement;
- (b) the Pledgor does not direct Carlile to pay over to the account as provided in Section 6(j) or otherwise fails to comply with Section 6(j);
- (c) the Pledgor otherwise fails in any material respect to perform or comply with any term, covenant or agreement hereunder after the Pledgee provides written notice and if not cured within 14 days;
- (d) any representation or warranty hereunder, the Securities Repurchase Agreement was untrue in any material respect when made;
- (e) any default or event of default by Carlile occurs under the Carlile Note;
- (f) any amendment, waiver, modification or forbearance under the Carlile Agreement, the Carlile Note or any of the Carlile Collateral Documents, that is not previously agreed by the Pledgee, was made;
- (g) (i) the Pledgor shall generally not pay its debts as such debts become due, shall admit in writing its inability to pay its debts generally or shall make a general assignment for the benefit of creditors, (ii) any proceeding shall be instituted by or against the Pledgor seeking to adjudicate it bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment,

protection, relief or composition of it or its debts, under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a custodian, receiver, trustee or other similar official for it or for any substantial part of its property; provided, however, that, in the case of any such proceedings instituted against the Pledgor (but not instituted by the Pledgor), either such proceedings shall remain undismissed or unstayed for a period of 60 days or more or any action sought in such proceedings shall occur or (iii) the Pledgor shall take any corporate action to authorize any action set forth in clauses (i) and (ii) above.

10. Remedies in Case of Event of Default. In case an Event of Default shall have occurred and be continuing, the Pledgee shall be entitled to exercise all of the rights, powers and remedies (whether vested in it by this Agreement or by law) for the protection and enforcement of its rights in respect of the Collateral, including all the rights and remedies of a secured party upon default under the Uniform Commercial Code as in effect from time to time in the State of New York, and the Pledgee shall be entitled, without limitation, to exercise any or all of the following rights, which the Pledgor hereby agrees to be commercially reasonable:

- (a) to receive all amounts payable in respect of the Collateral otherwise paid under Section 6(j) or Section 8 to the Pledgor;
- (b) to transfer all or any part of the Collateral into the Pledgee's name or the name of its nominee or nominees;
- (c) to vote all or any part of the Collateral and give all consents, waiver and ratifications in respect of the Collateral and otherwise act with respect thereto as though it were the outright owner thereof (the Pledgor hereby irrevocably constituting and appointing the Pledgee the proxy and attorney-in-fact of the Pledgor, with full power of substitution to do so, in accordance with Section 6(g));
- (d) at any time and from time to time to sell, assign and deliver, or grant options to purchase, all of any part of the Collateral, or any interest therein, at any public or private sale, without demand of performance, advertisement or, notice of intention to sell or of the time or place of sale or adjournment thereof or to redeem or otherwise purchase or dispose (all of which are hereby waived by the Pledgor to the extent permitted by applicable law), for cash, on credit or for other property, for immediate or future delivery without any assumption of credit risk, and for such price or prices and on such terms as the Pledgee in its absolute discretion may determine in compliance with any mandatory requirements of applicable law, provided at least 10 days' written notice of the time and place of any such sale shall be given to the Pledgor. The Pledgee shall not be obligated to make any such sale of Collateral regardless of whether any such notice of sale has theretofore been given. The Pledgor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of

marshalling the Collateral and any other security or the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Pledgee may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. The Pledgee shall not be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing nor shall any of them be under any obligation to take any action whatsoever with regard thereto; and

(e) to set off any and all Collateral against any and all Secured Obligations.

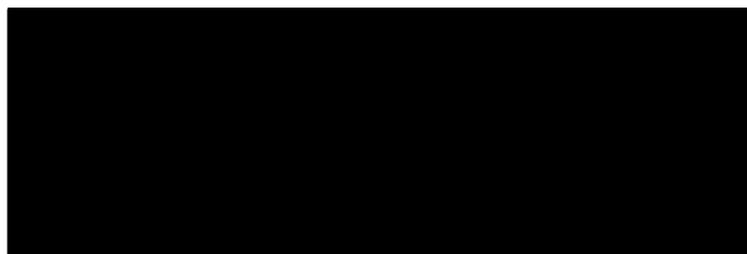
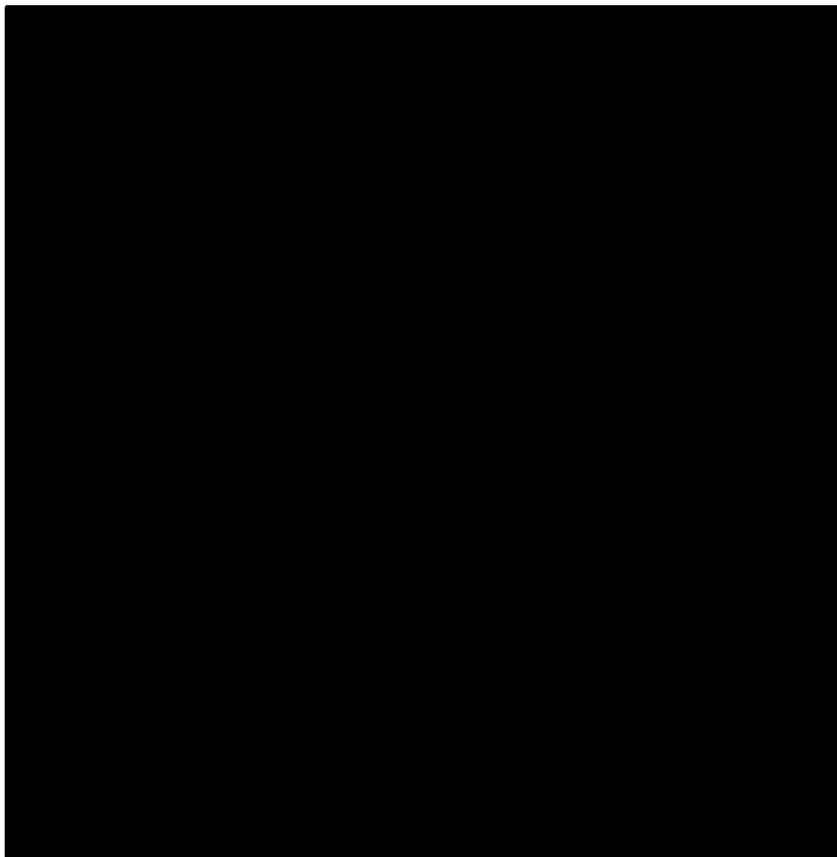
The Pledgor specifically understands and agrees that any sale or redemption by the Pledgee of all or part of the Collateral pursuant to the terms of this Agreement may be effected by the Pledgee at times and in manners which could result in the proceeds of such sale or redemption being significantly and materially less than might have been received if such sale or redemption had occurred at different times or in different manners, and the Pledgor hereby releases the Pledgee and its officers and representatives from and against any and all obligations and liabilities arising out of or related to the timing or manner of any such sale or redemption.

11. General.

(a) Term; Binding Effect. This Agreement shall remain in full force and effect until payment and satisfaction in full of all Secured Obligations. The provisions of this Agreement shall bind and inure to the benefit of the Pledgor and its successors and assigns and the Pledgee and its successors and assigns; provided, however, that no assignment or other transfer of the Pledgor's rights or obligations hereunder shall be made or be effective without the Pledgee's prior consent, nor shall it relieve the Pledgor of its obligations hereunder. All representations, warranties and agreements of the Pledgor shall be binding upon the successors and permitted assigns of the Pledgor.

(b) Waiver. No delay of either party hereto in exercising any power or right shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right preclude other or further exercise thereof or the exercise of any other power or right. No waiver by either party hereto of any right hereunder shall be binding upon such party unless in writing, and no failure by either party to exercise any power or right hereunder shall operate as a waiver of any other or further exercise of such right or power or of any further default. Each right, power and remedy of either party hereto as provided for herein or in the Securities Repurchase Agreement, or which shall now or hereafter exist at law or in equity or by statute or otherwise, shall be cumulative and concurrent and shall be in addition to every other such right, power or remedy. The exercise or beginning of the exercise by either party hereto of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such party of any or all other such rights, powers or remedies.

(c) Notice. All notices and other communications hereunder shall be in writing and shall be deemed given on (i) the date of delivery if delivered personally or telecopied (upon telephonic confirmation of receipt), (ii) on the first business day following the date of dispatch if delivered by a recognized next day courier service, or (iii) on the third business day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated in writing by the party to receive such notice:



(d) Modifications. No provision hereof shall be modified or limited except by a written agreement expressly referring hereto and to the provisions so modified or limited, which shall be signed by the Pledgor and the Pledgee. The provisions of this Agreement shall not be modified or limited by course of conduct.

(e) Partial Invalidity. The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of any other provision herein.

(f) Interpretation. The words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section references are to this Agreement unless otherwise specified. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The term “person” as used in this Agreement shall mean any individual, corporation, limited liability company, limited or general partnership, joint venture, government or any agency or political subdivision thereof, or any other entity or any group (as defined in Section 13(d)(3) of the U.S. Securities Exchange Act of 1934, as amended) comprised of two or more of the foregoing. In this Agreement, all references to “dollars” or “\$” are to United States dollars. This Agreement and any documents or instruments delivered pursuant hereto or in connection herewith shall be construed without regard to the identity of the person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though all of the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

(g) Governing Law; Choice of Forum. This Agreement and any claim, controversy or dispute arising under or related to this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties shall be enforced, governed, and construed in all respects (whether in contract or in tort) in accordance with the federal law of the United States if and to the extent such law is applicable, and otherwise in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely with such state. Each of the parties hereto agrees (i) to submit to the exclusive jurisdictions and venue of the United States District Court of the District of Columbia and the United States Court of Federal Claims for any and all civil actions, suits or proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and (ii) that notice may be served upon (A) the Pledgor at the address and in the manner set forth for notices to the Pledgor in Section 11(c) and (B) the Pledgee at the address and in the manner set forth for notices to the Pledgee in Section 11(c), but otherwise in accordance with federal law.

(h) Waiver of Jury Trial. **Each of the parties hereby unconditionally waives trial by jury in any civil legal action or proceeding relating to this Agreement or the transactions contemplated hereby.**

(i) Entire Agreement. This Agreement, the Securities Repurchase Agreement and the Warrant to purchase 3,098,341 shares of the Pledgor's common stock for the benefit of the Pledgee, contain the entire agreement and understanding of the parties with respect to the subject matter hereof and supersede all prior communications, representations and negotiations with respect thereto.

[This space intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed as of the date first above written.

PLEDGOR:

TREATY OAK BANCORP, INC.

By: _____
Name:
Title:

PLEDGEE:

**UNITED STATES DEPARTMENT OF
THE TREASURY**

By: _____
Name:
Title:

SCHEDULE I

Carlile Collateral Documents

Security Agreement, dated as of February 9, 2011, between Carlile Capital, LLC and Treaty Oak Bancorp, Inc.

SCHEDULE II



ANNEX C

Forms of Carlile Notes

Annex C-1

Form of Secured Subordinated Note

Annex C-2

Form of Senior Secured Note

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE, AND THE HOLDER HEREOF CANNOT MAKE ANY SALE, ASSIGNMENT OR OTHER TRANSFER OF ANY SUCH NOTE EXCEPT PURSUANT TO AN OFFERING OF SUCH NOTE DULY REGISTERED UNDER THE ACT AND REGISTERED OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS, OR UNDER SUCH OTHER CIRCUMSTANCES AS IN THE OPINION OF COUNSEL FOR OR SATISFACTORY TO THE MAKER SHALL NOT, AT THE TIME, REQUIRE REGISTRATION UNDER THE ACT AND/OR REGISTRATION OR QUALIFICATION UNDER ANY STATE SECURITIES LAWS.

\$150,000.00

February __, 2011

SENIOR SECURED PROMISSORY NOTE

For value received, CARLILE BANCSHARES, INC., a corporation organized and existing under the laws of the State of Texas ("Maker") whose principle office is located at 201 Main Street, Suite 1320, Fort Worth, Texas 76102, hereby promises to pay to the order of Treaty Oak Bancorp, Inc. ("Holder"), at 101 Westlake Drive, Austin, Texas 78746, in lawful money of the United States of America, the sum of ONE HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$150,000.00) (subject to reduction and offset as provided hereinbelow), together with interest thereon as specified below:

The outstanding principal balance of this Note (the "Indebtedness") shall be due and payable on the fourth anniversary of the date of this Note (the "Maturity Date"); **PROVIDED, HOWEVER, THE PRINCIPAL AMOUNT PAYABLE UNDER THIS NOTE SHALL BE SUBJECT TO REDUCTION PURSUANT TO THE TERMS OF SECTION 1.04 OF THAT CERTAIN AMENDED AND RESTATED STOCK PURCHASE AGREEMENT, DATED DECEMBER 21, 2010 (THE "PURCHASE AGREEMENT") BY AND AMONG MAKER, HOLDER AND TREATY OAK BANK, WHICH TERMS AND AGREEMENTS ARE INCORPORATED BY REFERENCE HEREIN; PROVIDED, FURTHER, HOWEVER, THAT ANY SUCH REDUCTION SHALL BE ALLOCATED BY MAKER AND HOLDER FIRST TO THE SUBORDINATED NOTE (AS HEREINAFTER DEFINED). FOR PURPOSES HEREOF, THE TERM "SUBORDINATED NOTE" SHALL MEAN THAT CERTAIN SECURED SUBORDINATED PROMISSORY NOTE DATED THE DATE HEREOF IN THE MAXIMUM ORIGINAL PRINCIPAL AMOUNT OF \$4,571,555.00 EXECUTED BY MAKER PAYABLE TO THE ORDER OF TREATY OAK BANCORP, INC. FURTHERMORE, AND WITHOUT LIMITING THE GENERALITY OF THE PRECEDING SENTENCE, TO THE EXTENT THAT THE PRINCIPAL AMOUNT OF THIS NOTE AND/OR THE SUBORDINATED NOTE IS SUBJECT TO ANY REDUCTION AS A RESULT OF ANY "LOAN LOSSES" ON "SUBJECT ASSETS" (AS SUCH TERMS ARE DEFINED IN THE PURCHASE AGREEMENT) OR AS A RESULT OF ANY OFFSET PURSUANT TO ARTICLE 11 OF THE PURCHASE AGREEMENT, EACH OF MAKER AND HOLDER AGREES THAT EACH SUCH REDUCTION SHALL BE APPLIED FIRST TO THE SUBORDINATED NOTE (UNTIL THE PRINCIPAL AMOUNT OF THE SUBORDINATED NOTE IS REDUCED TO ZERO) BEFORE ANY SUCH REDUCTION IS APPLIED TO THIS NOTE.**

The Indebtedness shall bear interest at a rate equal to two percent (2%) per annum. Interest on this Note shall be computed on the basis of the actual number of days elapsed at a per diem charge based on a 365-day year. Interest payable pursuant to this Note shall be payable quarterly on the last day of each calendar quarter and at maturity, unless Holder sooner demands payment as permitted under this Note.

Maker shall have the right to prepay, at any time and from time to time without premium or penalty, the entire unpaid principal balance of this Note or any portion thereof. Partial prepayments shall be applied first to accrued interest and then to principal.

This Note is secured by a security interest in certain of the loans (or interests therein) and/or other real estate owned by Carlile Capital, LLC (the "Pledged Assets") with a book value equal to at least 120% of the principal amount of the Indebtedness as provided in that certain Security Agreement dated as of the date hereof executed by Carlile Capital, LLC to and in favor of Holder (the "Security Agreement"). The Pledged Assets shall be selected by Maker in accordance with the Security Agreement.

Without notice or demand (which are hereby waived), the entire unpaid principal balance of, and all accrued interest on, this Note shall immediately become due and payable at the option of the Holder hereof upon the occurrence of any Event of Default. As used in this Note, the term "Event of Default" shall mean (a) the default by Maker in the payment of the principal hereof as and when the same shall become due and payable and the continuance of such default for a period of ten (10) calendar days after demand for payment having been made by the Holder hereof; (b) the default by Maker in the payment of any installment of interest on this Note as and when the same shall become due and payable and the continuance of such default for a period of thirty (30) calendar days after demand for payment having been made by the Holder hereof; (c) the occurrence of any of the following events, which are not cured within thirty (30) calendar days after demand having been made by the Holder hereof: (i) any representation or warranty made by Maker in this Note is false, misleading or erroneous in any material respect when made; (ii) failure of Maker to perform, observe or comply in any material respect with any covenant or agreement contained in this Note; or (iii) the involuntary bankruptcy or insolvency of Maker; or (d) immediately upon the voluntary bankruptcy of Maker. Upon the occurrence of an Event of Default, the Holder of this Note may proceed to protect and enforce its rights either by suit in equity or by action at law, or by other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in this Note, or in aid of the exercise of any power or right granted by this Note or to enforce any other legal or equitable right of the Holder of this Note.

In the event this Note is placed in the hands of an attorney for collection, or in the event this Note is collected in whole or in part through legal proceedings of any nature, Maker hereby promises to pay all reasonable costs of collection, including, but not limited to, reasonable attorneys' fees incurred by the Holder hereof on account of such collection, whether or not suit is filed.

No delay on the part of Holder in the exercise of any power or right under this Note, or under any other instrument executed pursuant hereto, shall operate as a waiver thereof, nor shall a single or partial exercise of any such power or right.

All of the covenants, stipulations, promises and agreements in this Note by or on behalf of Maker and/or Holder shall bind their respective successors and assigns, whether so expressed or not. Maker hereby acknowledges that Maker may not, without the prior written consent of Holder, assign any rights, powers, duties, liabilities or obligations under this Note. Holder may not assign its interest in this Note or any Indebtedness thereunder without the prior written consent of Maker; provided, however, that Maker hereby acknowledges and agrees that Holder has assigned (and may assign) this Note and all payments of principal at any time due or payable or paid on or with respect to this Note to the United States Treasury and, as instructed by Holder to Maker in writing, Maker shall make all such payments of principal directly to the United States Treasury in accordance with the following payment instructions unless and until otherwise agreed by the United States Treasury: _____; **PROVIDED, FURTHER, HOWEVER, THAT SUCH ASSIGNMENT IS, IN ALL RESPECTS, SUBJECT TO THE REDUCTION AND OFFSET (AND ALL OTHER) TERMS AND**

PROVISIONS OF THIS NOTE AND THE PURCHASE AGREEMENT, AND THE UNITED STATES TREASURY SHALL NOT HAVE ANY GREATER RIGHTS UNDER THIS NOTE THAN DOES HOLDER.

Any provision in this Note prohibited by law shall be ineffective only to the extent of such prohibition and shall not invalidate the remainder of this Note.

THE PAYMENT OF THE PRINCIPAL AMOUNT OF THIS NOTE IS SENIOR TO THE PAYMENT OF THE PRINCIPAL AMOUNT OF THE SUBORDINATED NOTE, AS PROVIDED IN THE SUBORDINATED NOTE AND, ACCORDINGLY, EACH OF MAKER AND HOLDER HAS AGREED THEREIN THAT MAKER SHALL NOT MAKE ANY PAYMENT ON THE SUBORDINATED NOTE (OTHER THAN, FOR SO LONG AS NO EVENT OF DEFAULT HAS OCCURRED UNDER THIS NOTE OR THE SUBORDINATED NOTE, REGULARLY SCHEDULED QUARTERLY INTEREST PAYMENTS OF 2% PER ANNUM). MAKER AND HOLDER AGREE AND ACKNOWLEDGE THAT THE UNITED STATES TREASURY IS A THIRD PARTY BENEFICIARY OF THE FOREGOING SUBORDINATION PROVISION.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

THIS NOTE IS NOT AN OBLIGATION OF AN INSURED DEPOSITORY INSTITUTION AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

THIS NOTE IS SUBJECT TO OFFSET PURSUANT TO ARTICLE 11 OF THE PURCHASE AGREEMENT, THE TERMS AND PROVISIONS OF WHICH ARE INCORPORATED BY REFERENCE HEREIN.

THIS NOTE AND ALL OTHER INSTRUMENTS, DOCUMENTS AND AGREEMENTS EXECUTED AND DELIVERED BY MAKER IN CONNECTION WITH THE INDEBTEDNESS EVIDENCED BY THIS NOTE OR INCORPORATED BY REFERENCE HEREIN EMBODY THE FINAL, ENTIRE AGREEMENT OF MAKER AND HOLDER WITH RESPECT TO THE INDEBTEDNESS EVIDENCED BY THIS NOTE AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THE INDEBTEDNESS EVIDENCED BY THIS NOTE AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF MAKER AND HOLDER. THERE ARE NO ORAL AGREEMENTS BETWEEN MAKER AND HOLDER.

IN WITNESS WHEREOF, Maker has caused this Note to be executed in its name by its Chairman and Chief Executive Officer and attested by its Secretary as of February __, 2011.



ANNEX D

Forms of Carlile Notes Security Agreements

Annex D-1

Form of Security Agreement (Subordinated Note)

SECURITY AGREEMENT

This Security Agreement is executed as of the ___ day of February, 2011, by CARLILE CAPITAL, LLC, a Texas limited liability company ("Grantor") in favor of TREATY OAK BANCORP, INC. ("Secured Party").

RECITALS:

Grantor is a wholly-owned subsidiary of Carlile Bancshares, Inc. ("Maker"). Maker, as maker, has executed and delivered to Secured Party, as payee, that certain Secured Subordinated Promissory Note dated as of the date hereof in the maximum principal amount of [REDACTED] (as the same may be amended, restated, renewed, extended or modified from time to time, the "Note"), the amount of which Note is subject to reduction and offset as provided in the Note. Capitalized terms not defined herein shall have the meanings assigned thereto in the Note.

In connection with the Note, Grantor has agreed to execute this Security Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Security Interest.** To secure the payment and performance of all indebtedness, obligations, and liabilities of Maker to Secured Party under the Note and of Grantor to Secured Party under this Security Agreement (collectively, the "Obligations"), Grantor pledges and assigns to Secured Party, and grants to Secured Party a security interest in, the Collateral, all upon and subject to the terms and conditions of this Security Agreement. As used herein, the term "Collateral" means all of Grantor's right, title and interest in and to the following items and types of property, wherever located, now owned or in the future existing or acquired by Grantor, and all proceeds and products thereof, and any substitutes or replacements therefor:

(a) All participation interests in the loans (or participation or other interests in such loans) identified on Schedule 1 attached hereto and incorporated herein by reference (as such Schedule 1 may be amended or supplemented from time to time in accordance with this Paragraph 1 below) (collectively, the "Participation Interests") assigned, transferred, or granted to Grantor pursuant to, or otherwise evidenced by, the participation agreements identified on such Schedule 1 (as such Schedule 1 may be amended or supplemented from time to time in accordance with this Paragraph 1 below (collectively, the "Participation Agreements");

(b) All participation certificates and other instruments issued or existing in favor of Grantor, in each case relating to the Participation Interests and/or the Participation Agreements;

(c) All general intangibles or other rights created, existing or evidenced by the Participation Interests, the Participation Agreements and/or any of the other Collateral described above; and

(d) All present and future payments, money, distributions, income and profits from or related to all or any part of the Collateral described above (collectively, the "Payments").

Unless and until released by Secured Party, all Collateral shall remain subject to this Security Agreement until the full and complete payment of all Obligations. Secured Party is not obligated to take any action or to preserve any Collateral or Grantor's rights with respect thereto (including, without limitation, rights against prior parties) and shall not be liable in any manner with respect to any Collateral

(except as may result from its noncompliance with this Security Agreement or the Code). The terms used herein to describe the Collateral shall have the meanings provided in the Texas Business & Commerce Code, as the same may be amended or supplemented from time to time (the "Code").

Grantor agrees that it shall, at all times as of the last day of each March, June, September and December until the full and complete payment of all Obligations, maintain as a part of the Collateral participation interests in loans (or participation or other interests in loans) having an aggregate book value equal to at least 120% of the outstanding principal amount of the Note as of the first day of such March, June, September or December, respectively (or, if less, the then outstanding principal amount of this Note), after giving effect to any and all releases of Collateral provided for herein (which agreement is hereinafter called the "Collateral Coverage Obligation"). In addition, Secured Party agrees that it shall release its pledge and assignment of, and its security interest in, (a) all Payments as and when such Payments are received by Grantor, (b) all Participation Interests and other Collateral related thereto promptly upon Grantor's receipt of all Payments owed on such Participation Interests, and (c) all Collateral requested to be released by Grantor which is in excess of the Collateral Coverage Obligation required to be maintained by Grantor in accordance with the first sentence of this paragraph, in each case if (but only if) no Event of Default exists at the time of such release, each of which releases by Secured Party shall be deemed to have occurred automatically and without the necessity of the execution of any release by Secured Party or any other action. In furtherance of and to facilitate the foregoing, Grantor agrees that it shall, from time to time and at least quarterly on or before the last day of each March, June, September and December (or more often as Grantor may, in its discretion, determine), prepare and deliver to Secured Party (A) an amended and restated Schedule 1 hereto, (B) a summary, in reasonable detail, of the Payments received and Collateral released from this Security Agreement as compared to the Collateral identified on the then most recent Schedule 1 hereto, and (C) evidence (including calculations), in reasonable detail, of Grantor's compliance with its Collateral Coverage Obligation stated in the first sentence of this paragraph, all of which shall be presumptively deemed accurate and correct absent manifest error. In the event that any disagreement or dispute arises between Grantor and Secured Party regarding any such matter, Grantor and Secured Party agree to negotiate in good faith to attempt to resolve such disagreement or dispute. Secured Party agrees that it shall, from time to time promptly after any request by Grantor, execute and/or deliver to Grantor (and/or any other appropriate persons) any release or other agreement, document or instrument as Grantor may from time to time reasonably request to evidence the release of any Collateral as provided in this paragraph above.

2. **Representations and Warranties.** Grantor represents and warrants to Secured Party that as of the date hereof:

(a) The execution, delivery, and performance of this Security Agreement has been duly authorized by all necessary action and requires no consent of any person which has not been obtained, and this Security Agreement constitutes the valid and binding obligations of Grantor, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, or similar laws of general application relating to the enforcement of the creditor's rights and except to the extent specific remedies may generally be limited to general principles of equity.

(b) Debtor's exact legal name, address of its chief executive's office, jurisdiction of organization, type of entity, and state issued organizational identification number are as set forth on Annex A hereto.

3. **Covenants.** Until full and complete payment of the Obligations of Maker under the Note, Grantor agrees and covenants that:

(a) Grantor shall perform, and be bound by, all covenants and agreements contained herein.

(b) Grantor shall maintain, at the place Grantor is entitled to receive notices, current records with respect to the Collateral, and shall furnish to Secured Party, in a reasonably prompt fashion after its request therefor, information concerning the Collateral as reasonably requested by Secured Party. Grantor shall, at all reasonable times and upon reasonable prior notice, permit Secured Party access to the Collateral and to all books, records and data relating to the Collateral, for inspection and for verification of the existence, condition and value of the Collateral.

(c) Grantor shall maintain its rights in and to the Collateral in accordance with generally accepted industry standards.

(d) Grantor shall pay or discharge prior to delinquency all taxes, assessments, levies, and other governmental charges imposed on the Collateral.

(e) Grantor shall, at its expense, from time to time, execute and deliver to Secured Party all supplemental documents, and do all other acts or things, as Secured Party may reasonably request in order to more fully create, evidence, perfect, continue and preserve Secured Party's security interest in the Collateral and to carry out the provisions of this Security Agreement. Grantor shall pay all filing or registration fees in connection with any financing, continuation or termination statement or other instruments with respect to Secured Party's security interest in the Collateral.

(f) Grantor shall not create, permit, or suffer to exist, and shall defend the Collateral against, any security interest in or lien on the Collateral (other than those granted herein), and shall defend Grantor's rights in the Collateral and Secured Party's security interest in the Collateral against the claims and demands of all other persons. Grantor shall not do anything to impair the rights of Secured Party in the Collateral.

(g) Grantor shall not sell, assign, transfer, lease, convey, or otherwise dispose of any or all of the Collateral without the prior written consent of Secured Party.

(h) Without providing Secured Party with 60 days prior written notice, (i) change Grantor's (A) name, identity or organizational structure, or (B) jurisdiction of incorporation or chief executive office as set forth in Annex A hereto or (ii) move the Collateral (other than in the ordinary course of business).

(i) Grantor shall not use the Collateral or permit the Collateral to be used for any unlawful purpose, in any manner that is reasonably likely to adversely impair the value or usefulness of the Collateral, or in any manner inconsistent with the provisions or requirements of this Agreement.

4. **Defaults and Remedies.** As used herein, the term "Event of Default" shall mean the occurrence of any "Event of Default" as such term is defined in the Note or the failure of Grantor to perform, observe or comply in any material respect with any covenant or agreement contained in this Security Agreement which is not cured within thirty (30) calendar days after demand having been made by Secured Party. If an Event of Default shall occur and be continuing, then in any such event Secured Party shall have all rights and remedies of a secured party under applicable law, including, without limitation, the rights and remedies available under the Code. Grantor agrees that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other

dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until all Obligations have been paid in full. Unless the collateral is perishable or threatens to decline speedily in value, Secured Party shall give or mail to Grantor and other persons, as required by law, reasonable notice of the time and place of any public sale thereof, or the time after which any private sale may be made. The requirement of reasonable notice shall be met if such notice is mailed, postage-prepaid by ordinary mail addressed to Grantor at the last address Grantor has given Secured Party in writing, at least ten (10) days before the time of the sale or disposition. If the proceeds from the sale or other disposition of the Collateral are insufficient to satisfy all of the Obligations in full, Maker shall remain fully obligated for any deficiency as provided in the Note. The rights and remedies of Secured Party hereunder are cumulative, may be exercised singly or concurrently, and are in addition to any rights and remedies of Secured Party under applicable law.

5. **Miscellaneous.**

(a) Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Obligations, or to have any third party joined with Grantor in any suit arising out of the Obligations, or pursue any other remedy available to Secured Party.

(b) No amendment or waiver of any provision of this Security Agreement nor consent to any departure by Grantor therefrom shall in any event be effective unless the same shall be in writing and signed by Secured Party. No failure on the part of Secured Party to exercise, and no delay in exercising, any right, power, or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(c) This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(d) Without releasing or affecting any of its rights hereunder, Secured Party may, one or more times, in its sole discretion, without notice to or the consent of any third party obligor, take any one or more of the following actions: (i) release, renew or modify the obligations of Maker; (ii) release, exchange, modify, or surrender in whole or in part Secured Party's rights with respect to any collateral for the Obligations; (iii) with the consent of Maker, modify or alter the term, interest rate or due date of any payment of any of the Obligations; (iv) grant any postponements, compromises, indulgences, waivers, surrenders or discharges or modify the terms of its agreements with Maker; or (v) impute payments or proceeds of any collateral furnished for any of the Obligations, in whole or in part, to any of the Obligations, and Grantor hereby expressly waives any defenses arising from any such actions. The obligations of Grantor hereunder shall bind and obligate Grantor's successors and assigns. Secured Party may not assign or transfer any of the Obligations or any of the Collateral without the prior written consent of Grantor.

(e) THIS SECURITY AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF TEXAS, PROVIDED THAT WHERE COLLATERAL IS LOCATED IN A JURISDICTION OTHER THAN TEXAS, REMEDIES AVAILABLE TO SECURED PARTY HEREUNDER AND UNDER THE LAWS OF SUCH JURISDICTION

SHALL BE AVAILABLE TO SECURED PARTY WITHOUT REGARD TO ANY RESTRICTION OF TEXAS LAW.

(f) If any provision of this Security Agreement shall be held to be legally invalid or unenforceable by any court of competent jurisdiction, all remaining provisions of this Security Agreement shall remain in full force and effect.

(g) THIS SECURITY AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED by Grantor and Secured Party as of the date first above written.

SECURED PARTY:

TREATY OAK BANCORP, INC.

By: _____

Name: Charles Meeks

Title: Chairman

Address for Notices:

Treaty Oak Bancorp, Inc.

101 Westlake Drive

Austin, Texas 78746

Attn: Charles Meeks

GRANTOR:

CARLILE CAPITAL, LLC

By: _____

Name: Don E. Cosby

Title: President

Address for Notices:

Carlile Bancshares, Inc.

201 Main Street, Suite 3120

Fort Worth, Texas 76102

Attn: Don E. Cosby

ANNEX A

Legal Name: Carlile Capital, LLC

Chief Executive Office: 201 Main Street, Suite 1320, Fort Worth, Texas 76102

Type of Entity: limited liability company

Jurisdiction of Organization: Texas

State Issued Organizational Identification Number: _____

SCHEDULE 1

PARTICIPATION INTERESTS AND PARTICIPATION AGREEMENTS
CONSTITUTING COLLATERAL

Annex D-2

Form of Security Agreement (Senior Note)

SECURITY AGREEMENT

This Security Agreement is executed as of the ___ day of February, 2011, by CARLILE CAPITAL, LLC, a Texas limited liability company (“Grantor”) in favor of TREATY OAK BANCORP, INC. (“Secured Party”).

R E C I T A L S:

Grantor is a wholly-owned subsidiary of Carlile Bancshares, Inc. (“Maker”). Maker, as maker, has executed and delivered to Secured Party, as payee, that certain Promissory Note dated as of the date hereof in the maximum principal amount of [REDACTED] (as the same may be amended, restated, renewed, extended or modified from time to time, the “Note”), the amount of which Note is subject to reduction and offset as provided in the Note. Capitalized terms not defined herein shall have the meanings assigned thereto in the Note.

In connection with the Note, Grantor has agreed to execute this Security Agreement.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Security Interest.** To secure the payment and performance of all indebtedness, obligations, and liabilities of Maker to Secured Party under the Note and of Grantor to Secured Party under this Security Agreement (collectively, the “Obligations”), Grantor pledges and assigns to Secured Party, and grants to Secured Party a security interest in, the Collateral, all upon and subject to the terms and conditions of this Security Agreement. As used herein, the term “Collateral” means all of Grantor's right, title and interest in and to the following items and types of property, wherever located, now owned or in the future existing or acquired by Grantor, and all proceeds and products thereof, and any substitutes or replacements therefor:

(a) All participation interests in the loans (or participation or other interests in such loans) identified on Schedule 1 attached hereto and incorporated herein by reference (as such Schedule 1 may be amended or supplemented from time to time in accordance with this Paragraph 1 below) (collectively, the “Participation Interests”) assigned, transferred, or granted to Grantor pursuant to, or otherwise evidenced by, the participation agreements identified on such Schedule 1 (as such Schedule 1 may be amended or supplemented from time to time in accordance with this Paragraph 1 below (collectively, the “Participation Agreements”);

(b) All participation certificates and other instruments issued or existing in favor of Grantor, in each case relating to the Participation Interests and/or the Participation Agreements;

(c) All general intangibles or other rights created, existing or evidenced by the Participation Interests, the Participation Agreements and/or any of the other Collateral described above; and

(d) All present and future payments, money, distributions, income and profits from or related to all or any part of the Collateral described above (collectively, the “Payments”).

Unless and until released by Secured Party, all Collateral shall remain subject to this Security Agreement until the full and complete payment of all Obligations. Secured Party is not obligated to take any action or to preserve any Collateral or Grantor's rights with respect thereto (including, without limitation, rights against prior parties) and shall not be liable in any manner with respect to any Collateral

(except as may result from its noncompliance with this Security Agreement or the Code). The terms used herein to describe the Collateral shall have the meanings provided in the Texas Business & Commerce Code, as the same may be amended or supplemented from time to time (the "Code").

Grantor agrees that it shall, at all times as of the last day of each March, June, September and December until the full and complete payment of all Obligations, maintain as a part of the Collateral participation interests in loans (or participation or other interests in loans) having an aggregate book value equal to at least 120% of the outstanding principal amount of the Note as of the first day of such March, June, September or December, respectively (or, if less, the then outstanding principal amount of this Note), after giving effect to any and all releases of Collateral provided for herein (which agreement is hereinafter called the "Collateral Coverage Obligation"). In addition, Secured Party agrees that it shall release its pledge and assignment of, and its security interest in, (a) all Payments as and when such Payments are received by Grantor, (b) all Participation Interests and other Collateral related thereto promptly upon Grantor's receipt of all Payments owed on such Participation Interests, and (c) all Collateral requested to be released by Grantor which is in excess of the Collateral Coverage Obligation required to be maintained by Grantor in accordance with the first sentence of this paragraph, in each case if (but only if) no Event of Default exists at the time of such release, each of which releases by Secured Party shall be deemed to have occurred automatically and without the necessity of the execution of any release by Secured Party or any other action. In furtherance of and to facilitate the foregoing, Grantor agrees that it shall, from time to time and at least quarterly on or before the last day of each March, June, September and December (or more often as Grantor may, in its discretion, determine), prepare and deliver to Secured Party (A) an amended and restated Schedule 1 hereto, (B) a summary, in reasonable detail, of the Payments received and Collateral released from this Security Agreement as compared to the Collateral identified on the then most recent Schedule 1 hereto, and (C) evidence (including calculations), in reasonable detail, of Grantor's compliance with its Collateral Coverage Obligation stated in the first sentence of this paragraph, all of which shall be presumptively deemed accurate and correct absent manifest error. In the event that any disagreement or dispute arises between Grantor and Secured Party regarding any such matter, Grantor and Secured Party agree to negotiate in good faith to attempt to resolve such disagreement or dispute. Secured Party agrees that it shall, from time to time promptly after any request by Grantor, execute and/or deliver to Grantor (and/or any other appropriate persons) any release or other agreement, document or instrument as Grantor may from time to time reasonably request to evidence the release of any Collateral as provided in this paragraph above.

2. **Representations and Warranties.** Grantor represents and warrants to Secured Party that as of the date hereof:

(a) The execution, delivery, and performance of this Security Agreement has been duly authorized by all necessary action and requires no consent of any person which has not been obtained, and this Security Agreement constitutes the valid and binding obligations of Grantor, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, or similar laws of general application relating to the enforcement of the creditor's rights and except to the extent specific remedies may generally be limited to general principles of equity.

(b) Debtor's exact legal name, address of its chief executive's office, jurisdiction of organization, type of entity, and state issued organizational identification number are as set forth on Annex A hereto.

3. **Covenants.** Until full and complete payment of the Obligations of Maker under the Note, Grantor agrees and covenants that:

(a) Grantor shall perform, and be bound by, all covenants and agreements contained herein.

(b) Grantor shall maintain, at the place Grantor is entitled to receive notices, current records with respect to the Collateral, and shall furnish to Secured Party, in a reasonably prompt fashion after its request therefor, information concerning the Collateral as reasonably requested by Secured Party. Grantor shall, at all reasonable times and upon reasonable prior notice, permit Secured Party access to the Collateral and to all books, records and data relating to the Collateral, for inspection and for verification of the existence, condition and value of the Collateral.

(c) Grantor shall maintain its rights in and to the Collateral in accordance with generally accepted industry standards.

(d) Grantor shall pay or discharge prior to delinquency all taxes, assessments, levies, and other governmental charges imposed on the Collateral.

(e) Grantor shall, at its expense, from time to time, execute and deliver to Secured Party all supplemental documents, and do all other acts or things, as Secured Party may reasonably request in order to more fully create, evidence, perfect, continue and preserve Secured Party's security interest in the Collateral and to carry out the provisions of this Security Agreement. Grantor shall pay all filing or registration fees in connection with any financing, continuation or termination statement or other instruments with respect to Secured Party's security interest in the Collateral.

(f) Grantor shall not create, permit, or suffer to exist, and shall defend the Collateral against, any security interest in or lien on the Collateral (other than those granted herein), and shall defend Grantor's rights in the Collateral and Secured Party's security interest in the Collateral against the claims and demands of all other persons. Grantor shall not do anything to impair the rights of Secured Party in the Collateral.

(g) Grantor shall not sell, assign, transfer, lease, convey, or otherwise dispose of any or all of the Collateral without the prior written consent of Secured Party.

(h) Without providing Secured Party with 60 days prior written notice, (i) change Grantor's (A) name, identity or organizational structure, or (B) jurisdiction of incorporation or chief executive office as set forth in Annex A hereto or (ii) move the Collateral (other than in the ordinary course of business).

(i) Grantor shall not use the Collateral or permit the Collateral to be used for any unlawful purpose, in any manner that is reasonably likely to adversely impair the value or usefulness of the Collateral, or in any manner inconsistent with the provisions or requirements of this Agreement.

4. **Defaults and Remedies.** As used herein, the term "Event of Default" shall mean the occurrence of any "Event of Default" as such term is defined in the Note or the failure of Grantor to perform, observe or comply in any material respect with any covenant or agreement contained in this Security Agreement which is not cured within thirty (30) calendar days after demand having been made by Secured Party. If an Event of Default shall occur and be continuing, then in any such event Secured Party shall have all rights and remedies of a secured party under applicable law, including, without limitation, the rights and remedies available under the Code. Grantor agrees that the sale or other disposition of any part of the Collateral shall not exhaust Secured Party's power of sale, but sales or other

dispositions may be made from time to time until all of the Collateral has been sold or disposed of or until all Obligations have been paid in full. Unless the collateral is perishable or threatens to decline speedily in value, Secured Party shall give or mail to Grantor and other persons, as required by law, reasonable notice of the time and place of any public sale thereof, or the time after which any private sale may be made. The requirement of reasonable notice shall be met if such notice is mailed, postage-prepaid by ordinary mail addressed to Grantor at the last address Grantor has given Secured Party in writing, at least ten (10) days before the time of the sale or disposition. If the proceeds from the sale or other disposition of the Collateral are insufficient to satisfy all of the Obligations in full, Maker shall remain fully obligated for any deficiency as provided in the Note. The rights and remedies of Secured Party hereunder are cumulative, may be exercised singly or concurrently, and are in addition to any rights and remedies of Secured Party under applicable law.

5. **Miscellaneous.**

(a) Grantor and Secured Party agree and acknowledge that the United States Department of Treasury ("Treasury"), to whom the Note has been pledged pursuant to the Pledge Agreement between Secured Party and Treasury dated as of the date hereof, is a third party beneficiary of this Agreement, entitled to assert benefits hereunder in lieu of Secured Party if and to the extent provided in the Pledge Agreement, subject to the reduction and offset (and all other) terms and provisions of the Note and that certain Amended and Restated Stock Purchase Agreement, dated December 21, 2010, by and between Maker, Secured Party and Treaty Oak Bank.

(b) Grantor waives any right to require Secured Party to proceed against any third party, exhaust any Collateral or other security for the Obligations, or to have any third party joined with Grantor in any suit arising out of the Obligations, or pursue any other remedy available to Secured Party.

(c) No amendment or waiver of any provision of this Security Agreement nor consent to any departure by Grantor therefrom shall in any event be effective unless the same shall be in writing and signed by Secured Party. No failure on the part of Secured Party to exercise, and no delay in exercising, any right, power, or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power, or privilege. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

(d) This Security Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) Without releasing or affecting any of its rights hereunder, Secured Party may, one or more times, in its sole discretion, without notice to or the consent of any third party obligor, take any one or more of the following actions: (i) release, renew or modify the obligations of Maker; (ii) release, exchange, modify, or surrender in whole or in part Secured Party's rights with respect to any collateral for the Obligations; (iii) with the consent of Maker, modify or alter the term, interest rate or due date of any payment of any of the Obligations; (iv) grant any postponements, compromises, indulgences, waivers, surrenders or discharges or modify the terms of its agreements with Maker; or (v) impute payments or proceeds of any collateral furnished for any of the Obligations, in whole or in part, to any of the Obligations, and Grantor hereby expressly waives any defenses arising from any such actions. The obligations of

Grantor hereunder shall bind and obligate Grantor's successors and assigns. Secured Party may not assign or transfer any of the Obligations or any of the Collateral without the prior written consent of Grantor.

(f) THIS SECURITY AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF TEXAS, PROVIDED THAT WHERE COLLATERAL IS LOCATED IN A JURISDICTION OTHER THAN TEXAS, REMEDIES AVAILABLE TO SECURED PARTY HEREUNDER AND UNDER THE LAWS OF SUCH JURISDICTION SHALL BE AVAILABLE TO SECURED PARTY WITHOUT REGARD TO ANY RESTRICTION OF TEXAS LAW.

(g) If any provision of this Security Agreement shall be held to be legally invalid or unenforceable by any court of competent jurisdiction, all remaining provisions of this Security Agreement shall remain in full force and effect.

(h) THIS SECURITY AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED by Grantor and Secured Party as of the date first above written.

SECURED PARTY:

TREATY OAK BANCORP, INC.

By: _____

Name: Charles Meeks

Title: Chairman

Address for Notices:

Treaty Oak Bancorp, Inc.

101 Westlake Drive

Austin, Texas 78746

Attn: Charles Meeks

GRANTOR:

CARLILE CAPITAL, LLC

By: _____

Name: Don E. Cosby

Title: President

Address for Notices:

Carlile Bancshares, Inc.

201 Main Street, Suite 3120

Fort Worth, Texas 76102

Attn: Don E. Cosby

ANNEX A

Legal Name: Carlile Capital, LLC

Chief Executive Office: 201 Main Street, Suite 1320, Fort Worth, Texas 76102

Type of Entity: limited liability company

Jurisdiction of Organization: Texas

State Issued Organizational Identification Number: _____

SCHEDULE 1

PARTICIPATION INTERESTS AND PARTICIPATION AGREEMENTS
CONSTITUTING COLLATERAL

ANNEX E

Form of Waiver

FORM OF WAIVER

In consideration for the benefits I will receive as a result of the participation of TREATY OAK BANCORP, INC. (together with its subsidiaries and affiliates, the "Company"), which is either my employer or the sole shareholder of my employer, in the United States Department of the Treasury's (the "Treasury") Capital Purchase Program and/or any other economic stabilization program implemented by the Treasury under the Emergency Economic Stabilization Act of 2008 (as amended, supplemented, or otherwise modified, the "EESA") (any such program, including the Capital Purchase Program, a "Program"), I hereby voluntarily waive any claim against the United States (and each of its departments and agencies) or the Company or my employer, or any of their respective directors, officers, employees and agents for any changes to my compensation or benefits that are required to comply with the executive compensation and corporate governance requirements of Section 111 of the EESA, as implemented by any guidance or regulations issued and/or to be issued thereunder, including without limitation the provisions for the Capital Purchase Program, as implemented by any guidance or regulation thereunder, including the rules set forth in 31 C.F.R. Part 30, or any other guidance or regulations under the EESA and the applicable requirements of the Securities Repurchase Agreement by and among the Company and the Treasury dated as of February 15, 2011 (such requirements, the "Limitations").

I acknowledge that the Limitations may require modification or termination of the employment, compensation, bonus, incentive, severance, retention and other benefit plans, arrangements, policies and agreements (including so-called "golden parachute" agreements), whether or not in writing, that I may have with the Company or my employer or in which I may participate as they relate to the period the United States holds any equity or debt securities of the Company acquired through a Program or for any other period applicable under such Program or Limitations, as the case may be, and I hereby consent to all such modifications.

This waiver includes all claims I may have under the laws of the United States or any other jurisdiction (whether or not in existence as of the date hereof) related to the requirements imposed by the Limitations, including without limitation a claim for any compensation or other payments or benefits I would otherwise receive, any challenge to the process by which the Limitations are or were adopted and any tort or constitutional claim about the effect of these Limitations on my employment relationship and I hereby agree that I will not at any time initiate, or cause or permit to be initiated on my behalf, any such claim against the United States, the Company, my employer or their respective directors, officers, employees or agents in or before any local, state, federal or other agency, court or body.

I agree that, in the event and to the extent that the Compensation Committee of the Board of Directors of the Company or similar governing body (the "Committee") reasonably determines that any compensatory payment and benefit provided to me, including any bonus or incentive compensation based on materially inaccurate financial statements or performance criteria, would cause the Company to fail to be in compliance with the Limitations (such payment or benefit, an "Excess Payment"), upon notification from the Company, I shall repay such Excess Payment to the Company within 15 business days. In addition, I agree that the Company shall have the right to postpone any such payment or benefit for a reasonable period of time to enable the Committee to determine whether such payment or benefit would constitute an Excess Payment.

I understand that any determination by the Committee as to whether or not, including the manner in which, a payment or benefit needs to be modified, terminated or repaid in order for the Company to be in compliance with Section 111 of the EESA and/or the Limitations shall be a final and conclusive determination of the Committee which shall be binding upon me. I further understand that the Company is relying on this letter from me in connection with its participation in a Program.

IN WITNESS WHEREOF, I execute this waiver on my own behalf, thereby communicating my acceptance and acknowledgement to the provisions herein.

Respectfully,

Name:
Title:

Date:

SCHEDULE A

Capitalization Table