#2006-75

AGREEMENT BY AND BETWEEN
Douglass National Bank
Kansas City, Missouri
and
The Comptroller of the Currency

Douglass National Bank, Kansas City, Missouri ("Bank") and the Comptroller of the Currency of the United States of America ("Comptroller") wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to Bank management supervision; lending; capital planning; and earnings.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors ("Board"), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the Articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a "written agreement entered into with the agency" within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a "written agreement between such depository institution and such agency" within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a "formal written agreement" within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a "written agreement" within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank not to be designated as an "eligible bank" for purposes of 12 C.F.R. § 5.3(g).

(6) All reports or plans that the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Kansas City South Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days of the date of this Agreement, the Board shall appoint a Compliance Committee comprised of at least three (3) directors and no more than five (5) directors. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member, shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the date of this Agreement and every month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) actions taken since the prior progress report to comply with each Article of this Agreement;

(b) results of those actions; and

(c) a description of the actions needed to achieve full compliance with each Article of this Agreement.

(4) The Board shall forward a copy of the Compliance Committee's progress report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

ARTICLE III

MANAGEMENT AND BOARD SUPERVISION STUDY

(1) Within fifteen (15) days of the date of this Agreement, the Board shall submit the name and qualifications of an individual/s to act as an independent, outside management consultant to conduct and complete the study required by paragraph (4) of this Article, along with the proposed terms and scope of employment, to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(2) If the OCC issues a prior written determination of no supervisory objection as to an independent, outside management consultant and the proposed terms and scope of employment, the Board shall employ that management consultant within five (5) days of receipt of such written determination. If the OCC notifies the Board that it is unable to issue a prior written determination of no supervisory objection to the proposed terms and scope of employment for any proposed independent, outside management consultant, the Board shall, within five (5) days from the receipt of such notice, address the OCC's concerns and resubmit the proposed terms and scope of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. If the OCC notifies the Board that it is unable to issue a prior written determination of no supervisory objection as to any proposed independent,

outside management consultant, the Board shall, within thirty (30) days of receipt of such notice, submit the name and qualifications of a different independent, outside management consultant and the proposed terms and scope of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(3) The requirement to submit information and the provision for a prior written determination of no supervisory objection in this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his or her review and act on any such information or authority within ninety (90) days.

(4) Within sixty (60) days of the receipt of a prior written determination of no supervisory objection as to any independent, outside management consultant and the terms and scope of that consultant's employment, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank’s management structure, the Bank's compensation plan, and its staffing requirements in light of the Bank’s present condition. The findings and recommendations of the Consultant shall be set forth in a written report to the Board. At a minimum, the report shall contain:

(a) the identification of present and future management and staffing requirements of each area of the Bank, including the use of external consultants,[1] with particular emphasis given to the lending area;

(b) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;

(c) detailed written job descriptions for all officers;

[1] For purposes of Article III, the term "external consultant" shall include an attorney, auditor, independent auditor, or consultant acting pursuant to a written contract to provide services to the bank. *See* 12 C.F.R. § 4.37(b)(2).

(d) criteria, based upon subparagraph (c) above, upon which each officer's effectiveness will be measured;

(e) an evaluation of each officer’s and director's qualifications and abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his or her officer or director position;

(f) recommendations as to whether changes should be made to the Bank's current management, staffing, and consultants, including the need for additions to, or deletions from, management, staffing, and external consultants;

(g) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;

(h) recommendations as to whether there should be changes in the composition of the Board;

(i) an assessment of whether management provides Board members with adequate information on the Bank's operations to enable them to fulfill their fiduciary responsibilities and other responsibilities under law, and, if needed, recommendations for management to expand the scope, frequency, and sufficiency of information provided to the Board;

(j) an evaluation of the extent of responsibility of current staff, management, and/or the Board for present weaknesses in the Bank's condition;

(k) a training program to eliminate identified weaknesses in the skills and abilities of the Bank’s staff and management team; and

(l) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.

(5) Within sixty (60) days of completion of this study, the Board shall develop, implement, and thereafter ensure Bank adherence to a written plan, with specific time frames, that shall correct any deficiencies that are noted in the study.

(6) Immediately upon completion of the Consultant's study required by paragraph (4) of this Article and the written plan required by paragraph (5) of this Article, the Board shall submit a copy of the study and written plan to the Assistant Deputy Comptroller for review and a prior written determination of no supervisory objection to both the Consultant's study and the Board's written plan. Immediately upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement, and thereafter ensure Bank adherence to, the written plan. Neither the Board nor the Bank shall deviate from the written plan without receiving a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(7) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE IV

NEW PRESIDENT AND CHIEF EXECUTIVE OFFICER

(1) At least thirty (30) days prior to the termination of the Interim President's and Chief Executive Officer's employment with the Bank, the Board shall appoint an experienced, capable, and full-time President and an experienced, capable, and full-time Chief Executive

Officer who shall be vested with sufficient executive authority to fulfill the duties and responsibilities of these positions and ensure the safe and sound operation of the Bank.

(2) Prior to the appointment of any individual or individuals to the President and Chief Executive Officer position(s), the Board shall submit to the Assistant Deputy Comptroller the following information:

(a) the information sought in the "Changes in Directors and Senior Executive Officers" and "Background Investigations" booklets of the *Comptroller's Licensing Manual*, together with a legible fingerprint card for the proposed individual;

(b) a written statement of the Board's reasons for selecting the proposed officer; and

(c) a written description of the proposed officer's duties and responsibilities.

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed President and Chief Executive Officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer or officers.

(4) The requirements to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his or her review and act on any such information or authority within ninety (90) days.

ARTICLE V

ACTION PLAN

(1) The Board shall develop a written action plan ("Action Plan") detailing the Board's assessment of what needs to be done to improve the Bank and to achieve and maintain profitability, specifying how the Board will implement the Action Plan, and setting forth a detailed timetable for the implementation of the Action Plan. The Action Plan shall include:

(a) Within ninety (90) days of the date of this Agreement, the Board shall develop a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of criticized assets, product line development, and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives. At a minimum, the strategic plan shall include:

(i) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(ii) an assessment of the Bank's present and future operating environment;

(iii) the development of strategic goals and objectives to be accomplished over the short and long term;

(iv) an identification of the Bank’s present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in (1)(c)(iii) of this Article;

(v) control systems to mitigate risks associated with planned new products, growth, or any proposed changes to the Bank's operating environment;

(vi) specific plans to establish responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

(vii) systems to monitor the Bank's progress in meeting the Action Plan's goals and objectives.

(b) Within sixty (60) days of the receipt of the Management and Board Supervision Study required in Article III of this Agreement, the Board shall develop a management employment and succession program to promote the retention and continuity of capable management.

(c) Within ninety (90) days of the date of this Agreement, the Board shall develop a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

(i) identification of the major areas in, and means by which, the Board will seek to improve the Bank's operating performance, including individual responsibilities, accountability, and specific time frames;

(ii) a description of the operating assumptions that form the basis for major projected income and expense components;

(iii) realistic and comprehensive budgets, including projected balance sheets and year-end income statements, and desired financial ratios; and

(iv) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections.

(d) Within ninety (90) days of the date of this Agreement, the Board shall develop a written three-year capital program. This program shall include:

(i) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of Article VI of this Agreement;

(ii) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;

(iii) projections of the primary sources and timing of additional capital to meet the Bank's current and future needs;

(iv) contingency plans that identify alternative methods should the primary source(s) identified in (iii) above not be available; and

(v) a dividend policy that permits the declaration of a dividend only:

(a) when the Bank is in compliance with its approved capital program;

(b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(c) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(e) Within thirty (30) days of the date of this Agreement, the Board shall develop a liquidity contingency policy. The Board shall refer to the "Liquidity" booklet, L-L, of the *Comptroller's Handbook*. At a minimum, the policy shall address:

(i) guidelines concerning the nature, extent, and purpose of the Bank's use of brokered deposits consistent with the Bank's overall funds management strategies;

(ii) the nature, extent, and purpose of Bank borrowings;

(iii) limits on concentrations of funding sources;

(iv) alternative funding sources and strategies for their implementation; and

(v) periodic reviews of the Bank's adherence to the policy.

(2) The budgets and related documents required in paragraph 1(c) of this Article for the year 2006 shall be submitted to the Assistant Deputy Comptroller by May 31, 2006. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1) of this Article for each year this Agreement remains in effect. The budget for each subsequent year shall be submitted by November 30 of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a monthly basis.

(4) Upon completion, the Bank's Action Plan shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Upon receiving a prior written determination of no supervisory objection from the Assistant Deputy

Comptroller, the Board shall immediately adopt and implement the Action Plan pursuant to the time frames set forth in the Action Plan. The Board shall thereafter ensure adherence to the Action Plan.

(5) The monthly progress reports required by Article II of the Agreement shall set forth the Bank's progress in achieving the objectives stated in the Action Plan. Where the Board considers modifications necessary, a Revised Action Plan shall be submitted to the Assistant Deputy Comptroller for review. The Bank must give the Assistant Deputy Comptroller at least thirty (30) days notice of its intent to significantly deviate from the Action Plan. For purposes of this Agreement, a significant deviation shall have the same meaning as that phrase is further described in Appendix G (Significant Deviations After Opening) of the "Charters" booklet of the *Comptroller's Licensing Manual* (January 2005). The Revised Action Plan shall detail: a description of the proposed change; a description of the security and internal controls governing the proposed change; and the impact that the proposed change will have on staffing, operating expenses, and projected profitability; as well as on the Bank's proposed balance sheet, income statement, and the capital ratios. The Board shall not significantly deviate from, or change the Action Plan, or adopt or implement a Revised Action Plan, without obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such action.

(6) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE VI

CAPITAL MINIMUMS

(1) By June 30, 2006, the Bank shall achieve the following capital levels (as defined in 12 C.F.R. Part 3):

(a) Total risk based capital (tier 1 capital plus the Allowance) at least equal to ten and one-half percent (10.5%) of risk-weighted assets; and

(b) Leverage capital at least equal to seven and one-quarter percent (7.25%) of adjusted total assets.[2]

(2) By July 31, 2006, the Bank shall achieve, and thereafter maintain, the following capital levels (as defined in 12 C.F.R. Part 3):

(a) Total risk based capital (tier 1 capital plus the Allowance) at least equal to eleven percent (11%) of risk-weighted assets; and

(b) Leverage capital at least equal to eight percent (8%) of adjusted total assets.

(3) The requirement in this Agreement to maintain a specific capital level means that the Bank shall not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(4) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

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[2] Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

ARTICLE VII

LOAN PORTFOLIO MANAGEMENT

(1) Within sixty (60) days of the date of this Agreement, the Board shall develop, implement, and thereafter hold management accountable for adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure and effectively monitor compliance with loan approval requirements;
- (b) procedures to ensure satisfactory and perfected collateral documentation;
- (c) procedures to ensure accurate and timely valuation of collateral;
- (d) procedures to ensure that extensions of credit to be granted, renewed, altered, or restructured only after:
  - (i) documenting the specific reason or purpose for the extension of credit;
  - (ii) identifying the expected source of repayment in writing;
  - (iii) structuring the repayment terms to coincide with the expected source of repayment;
  - (iv) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations:
    - (a) Failure to obtain the information in paragraph (1)(d) of this Article shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the

information in (1)(d) would be detrimental to the best interests of the Bank; and

(b) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by the National Bank Examiners in subsequent examinations of the Bank.

(e) a system to track and analyze exceptions to the Bank's loan policy;

(f) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

(g) procedures and systems for effective monitoring of early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;

(h) procedures and systems for effective monitoring of statistical records that will serve as a basis for identifying sources of problem loans and leases by collateral and individual lending officer;

(i) procedures and systems for effective monitoring of previously charged-off assets and their potential recovery;

(j) procedures to ensure conformance with Call Report instructions;

(k) procedures to ensure the accuracy of internal management information systems; and

(l) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters.

(2) Upon completion, a copy of the program shall be immediately forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(3) The Board shall engage the services of an external loan review consultant to perform at least quarterly loan reviews. Prior to retaining the consultant's loan review services, the Board shall:

(a) receive the Assistant Deputy Comptroller's prior written determination of no supervisory objection to the qualifications of a consultant and the proposed terms and scope of employment for the consultant; and

(b) prior to terminating the services of the external loan review consultant, the Board shall:

(i) receive the Assistant Deputy Comptroller's written determination of no supervisory objection to the qualifications of a new consultant and the proposed terms and scope of employment for the new consultant; or

(ii) both certify the effectiveness of the internal loan review system and receive prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(4) Within sixty (60) days of the date of this Agreement, and on a monthly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

(a) the identification, type, rating, and amount of problem loans and leases;

(b) the identification and amount of delinquent loans and leases;

(c) credit and collateral documentation exceptions;

(d) the identification and status of credit related violations of law, rule, or regulation;

(e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;

(f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

(g) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and

(h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) Within sixty (60) days of the date of this Agreement, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the current Report Of Examination ("ROE") in any subsequent ROE, in any internal or

external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. At the expiration of the sixty (60) day period, the Board shall list all loans for which it is unable to obtain such information. This list shall include a detailed explanation of the actions taken to obtain such information, the reasons why such information has not been obtained, and a plan to obtain such information by a specified time.

(6) Within sixty (60) days of the date of this Agreement, the Board shall ensure that the Bank maintains proper collateral documentation on all loans and correct each collateral exception listed in the ROE, in any subsequent ROE, in any internal or external loan review, or in any listing of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination. At the expiration of the sixty (60) day period, the Board shall list all loans for which it is unable to obtain such documentation. This list shall include a detailed explanation of the actions taken to obtain such documentation, the reasons why such documentation has not been obtained, and a plan to obtain such documentation by a specified time.

(7) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE VIII

LENDING POLICY

(1) Within ninety (90) days of the date of this Agreement, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the "Loan

Portfolio Management" booklet of the *Comptroller's Handbook*. This policy shall incorporate, but not necessarily be limited to, the following:

(a) a description of acceptable types of loans;

(b) a provision that current and satisfactory credit information will be obtained on each borrower;

(c) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;

(d) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;

(e) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

(f) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;

(g) a definition of the Bank's trade area;

(h) guidelines and limitations for loans originating outside of the Bank's trade area;

(i) a limitation on aggregate outstanding loans in relation to other balance sheet accounts;

(j) distribution of loans by category;

(k) a prohibition regarding the use of brokered deposits to fund loan growth or support criticized loans;

(l) guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;

(m) guidelines and limitations on concentrations of credit;

(n) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;

(o) measures to correct the deficiencies in the Bank's lending procedures noted in any ROE;

(p) guidelines designed to improve Board oversight of the loan approval process, specifically with regard to credits exhibiting significant risk. At a minimum, the policy shall:

  (i) establish dollar limits on extensions of credit to any one borrower, above which the prior approval of the Board, or a committee thereof, would be required;

  (ii) establish dollar limits on aggregate extensions of credit to any one borrower, above which any new extensions of credit to that borrower, regardless of amount, would require the prior approval of the Board, or a committee thereof; and

  (iii) require that all credits that deviate from the Bank’s normal course of business, including all credits that deviate from the Bank’s written strategic plan, receive the prior approval of the Board, or a committee thereof.

(q) guidelines consistent with Banking Circular 255 and OCC Bulletin 2000-20, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall:

(i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and

(ii) provide guidelines and limitations on the capitalization of interest.

(r) charge-off guidelines, consistent with Generally Accepted Accounting Principles and OCC Bulletin 2000-20, by type of loan or other asset, including Other Real Estate Owned, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the quarter of discovery; and

(s) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(2) Upon completion, a copy of the program shall be immediately forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Upon adoption, the policy shall be implemented, and the Board shall thereafter ensure Bank adherence to the policy.

(3) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE IX

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the date of this Agreement, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in OCC Bulletin 2001-37 and the "Allowance for Loan and Lease Losses" booklet of the *Comptroller's Handbook*, and shall focus particular attention on the following factors:

(a) results of the Bank's internal loan review;

(b) results of the Bank's external loan review;

(c) an estimate of inherent loss exposure on each significant credit;

(d) loan loss experience;

(e) trends of delinquent and nonaccrual loans;

(f) concentrations of credit in the Bank; and

(g) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon

receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(4) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE X

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent ROE, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within thirty (30) days of the date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent ROE, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

(a) an identification of the expected sources of repayment;

(b) the appraised value of supporting collateral, and the position of the Bank's lien on such collateral, where applicable;

(c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and

(d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding one hundred thousand dollars ($100,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

(a) the status of each criticized asset or criticized portion thereof that equals or exceeds fifty thousand dollars ($50,000);

(b) management's adherence to the program adopted pursuant to this Article;

(c) the status and effectiveness of the written program; and

(d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a monthly basis (in a format similar to Appendix A attached hereto).

(6) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent ROE, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed fifty thousand dollars ($50,000) only if each of the following conditions is met:

(a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending, or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

(8) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE XI

OTHER REAL ESTATE OWNED PROGRAM

(1) Within thirty (30) days of the date of the Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program for Other Real Estate Owned ("OREO") to ensure that these assets are managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, Subpart E. At a minimum, this program shall:

(a) identify the Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;

(b) contain an analysis of each OREO property that compares the cost to carry against the financial benefits of near term sale;

(c) detail the marketing strategies for each parcel and document the diligent sales efforts;

(d) identify targeted time frames for disposing of each parcel of OREO;

(e) establish targeted write-downs at periodic intervals if marketing strategies are unsuccessful;

(f) provide for proper accounting of OREO properties from transfer to the Bank and until and upon sale to a third party;

(g) establish procedures to ensure timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C; and

(h) provide for reports to the Board on the status of OREO properties on at least a quarterly basis.

(2) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

(3) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE XII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent ROE. The monthly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent violations of law, rule, or regulation and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

(3) Upon completion, a copy of these procedures shall be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and ensure adherence to the program.

(4) The Board shall be responsible for the Bank having the processes, personnel, and control systems in place necessary to implement and adhere to the program and systems developed pursuant to this Article.

ARTICLE XIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. In each instance in this Agreement where the word "day" is used, this is intended to mean a calendar day. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required ensure adherence to, and undertake responsibility to perform certain obligations of the Bank, it is intended to mean that the Board shall:

(a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;

(c) follow up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement entered into with the agency" as contemplated by 12 U.S.C. § 1818(b)(1),

and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

(7) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set her hand on behalf of the Comptroller.

Signed
Karen W. Swingler
Assistant Deputy Comptroller
Kansas City South Field Office

3/28/06
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed	3-28-2006
C.L. Bachus	Date
Signed	3/28/06
Thomas T. Dunn	Date
Signed	3-28-06
Leonard Graham	Date
Signed	3-28-06
Colleen Hernandez	Date
Signed	3-28-06
Ethel Moore	Date
Signed	3/28/06
Janice E. Owens	Date
Signed	3/28/06
John F. Petersen	Date
Signed	3/28/06
Thomas J. Rhone	Date
Signed	3-28-06
Paul Rodriguez	Date
Signed	
Jerome Tilzer	Date