

#2007-080

Also terminates #2006-91

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

<hr/> In the Matter of:)	
First National Bank of Lindsay)	AA-EC-07-13
Lindsay, Oklahoma)	
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CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America ("Comptroller"), has authorized, pursuant to 12 U.S.C. § 1818(b)(1), the service of a Notice of Charges dated February 5, 2007, upon the First National Bank of Lindsay, Lindsay, Oklahoma ("Bank");

WHEREAS, in the interests of cooperation, the Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation and Consent to the Issuance of a Consent Order," dated July 19, 2007, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference herein, the Bank, without admitting or denying any wrongdoing, has consented to the issuance of this Consent Order ("Order") by the Comptroller; and

WHEREAS, in addition to settling the February 5, 2007 Notice of Charges, this Order replaces the Formal Agreement that was entered into on July 25, 2006.

NOW, THEREFORE, the Comptroller, acting by and through his designated representative and by virtue of the authority conferred by 12 U.S.C. § 1818(c)(3), **HEREBY ORDERS THAT:**

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days from the effective date of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)).

Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Director for Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the appointment of the Committee and monthly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Order; and
- (b) the results of those actions.

(4) The Board shall, within fifteen (15) days of receipt of the Compliance Committee’s progress report, forward a copy, along with any additional comments by the Board, to the Director.

(5) All correspondence related to this Order, and any information or documentation required hereunder to be submitted to the Comptroller or Director, shall be sent by email to ron.schneck@occ.treas.gov, or by overnight mail or hand delivery to:

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

A copy shall also be sent by email to kyle.jones@occ.treas.gov, or by overnight mail or hand

delivery to: Oklahoma City Field Office
Office of the Comptroller of the Currency
301 NW 63rd Street, Suite 490
Oklahoma City, OK 73116

ARTICLE II

STRATEGIC PLAN

(1) Within sixty (60) days from the effective date of this Order, the Board shall develop a written strategic plan for the Bank to ensure compliance with the requirements set forth in this Article. The Board shall ensure that the strategic plan covers at least a three-year period, establishes 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 non-performing assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, includes:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment, including a determination of the Bank's overall risk profile;
- (c) a description of strategic goals and objectives to be accomplished over the short and long term;
- (d) 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 subparagraph (1)(c) of this Article;

- (e) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under subparagraph (1)(c) of this Article;
- (f) a description of the actions to be taken by the Board to promote management employment and succession, and the retention and continuity of capable management;
- (g) the identification of product line and market segments that the Bank intends to promote or develop in addition to those identified pursuant to subparagraph (1)(d) above, if any;
- (h) a description of the Board's action plan to accomplish identified strategic goals and objectives, including individual responsibilities of Board members and management, accountability and specific time frames;
- (i) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the three-year period covered by the strategic plan;
- (j) a description and assessment of the control systems to be implemented to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's operating environment;
- (k) a description of the Board's 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
- (l) a description of the actions to be taken by the Board and the systems

utilized to monitor the Bank's progress in meeting the strategic plan's goals and objectives.

(2) Prior to adoption by the Board, a copy of the strategic plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior determination of no supervisory objection.

(3) Immediately upon receipt of a written determination of no supervisory objection, the Board shall adopt, implement and thereafter ensure compliance with the terms of the strategic plan developed pursuant to this Article.

(4) The Bank may not deviate significantly from the Board-approved strategic plan without a written determination of supervisory non-objection from the Director. The Board must give the Director advance, written notice of its intent to deviate significantly from the strategic plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the strategic plan.

(5) For the purposes of this Article, changes that may constitute a significant deviation from the strategic plan include, but are not limited to, a change in the Bank's marketing strategies and marketing partners or a change in the Bank's underwriting practices and standards, credit administration, account management strategies and test programs, collection strategies, partners, or operations, fee structure, pricing, or fee application methods, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems sufficient to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE III

PROFIT PLAN

(1) Within sixty (60) days from the effective date of this Order, the Board shall develop, implement, and thereafter ensure adherence to a written profit plan to sustain the earnings of the Bank. This plan shall cover at least a three-year period, be consistent with the strategic plan developed pursuant to Article II, and shall include, at minimum, the following elements:

- (a) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (b) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (c) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The Board shall submit the budgets and related documents required by paragraph (1) of this Article for the remainder of 2007 to the Director upon completion. Thereafter, prior to each new calendar year, the Board shall submit to the Director annual budgets as described in paragraph (1) of this Article.

(3) On a quarterly basis, the Board shall forward comparisons of its actual balance sheet and profit and loss statement to the profit plan projections to the Director.

(4) The Board shall ensure that the Bank develops and thereafter maintains processes, personnel, and control systems sufficient to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE IV

CAPITAL PLAN AND HIGHER MINIMUMS

(1) Within sixty (60) days, the Bank shall achieve and maintain, at a minimum, the following capital levels (as defined in 12 C.F.R. Part 3)¹:

- (a) Tier 1 capital at least equal to twelve percent (12%) of risk-weighted assets; and
- (b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.²

(2) Within sixty (60) days from the effective date of this Order, the Board shall develop and thereafter ensure Bank adherence to a three-year capital plan that is consistent with the strategic plan developed pursuant to Article II, and shall include, at minimum:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) 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;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

¹ The requirement in this Order to meet and maintain a specific capital level means that the Bank may 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).

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.

- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available;
- (f) specific plans detailing how the Bank will comply with the restrictions or requirements set forth in this Order and 12 U.S.C. § 1831o, including the restrictions against brokered deposits in 12 C.F.R. § 337.6;
- (g) a prohibition on the payment of directors fees unless the Bank is in compliance with the minimum capital ratios identified in paragraph (1);
- (h) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital plan;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior determination of no supervisory objection by the Director.

(3) Upon completion, the Bank's capital plan shall be submitted to the Director for prior determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director, the Bank shall implement and adhere to the capital plan. The Board shall review and update the Bank's capital plan on an annual basis or more frequently if necessary, or if requested by the Director. Revisions to the Bank's capital plan shall be submitted to the Director for prior determination of no supervisory objection.

(4) If the Director determines, in his sole judgment, that the Bank failed to submit an acceptable capital plan as required by paragraph (2) of this Article, or fails to implement or adhere to a capital plan for which the Director has taken no supervisory objection pursuant to paragraph

(3) of this Article, then within thirty (30) days of receiving written notice from the Director of such fact, the Bank shall develop and shall submit to the Director for his review and prior determination of no supervisory objection a capital contingency plan, which shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181. After the Director has advised the Bank that he does not take supervisory objection to the capital contingency plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the contingency plan. Failure to submit a timely, acceptable contingency plan may be deemed a violation of this Order, in the exercise of the Director's sole discretion.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE V

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) The Board shall ensure that the Bank has competent management in place on a full-time basis in its senior management positions capable of carrying out the Board's policies, ensuring compliance with this Order, applicable laws, rules and regulations, and managing the day-to-day operations of the Bank in a safe and sound manner.

(2) Within thirty (30) days from the development of the strategic plan as required by Article II, the Board shall identify the management structure and necessary senior management positions for the Bank that are consistent with the Bank's strategic plan adopted pursuant to Article II, the size and characteristics of the Bank, and safe and sound banking practices.

(3) Within sixty (60) days from the development of the strategic plan as required by Article II, the Board, or a designated committee thereof, shall conduct an analysis and prepare a written report which shall:

- (a) identify the skills and expertise needed by Bank personnel to develop, market, administer and support the products identified in the strategic plan and otherwise operate the Bank in a safe and sound manner;
- (b) identify position descriptions, duties and responsibilities for each senior management position identified pursuant to paragraph 2 of this Article;
- (c) assess the experience, qualifications and performance of each incumbent senior management officer and compare it to the position's description, duties and responsibilities; and
- (d) determine the management and staff changes necessary to conform to the new management structure and the skills identified under (a) above.

(4) The written report required by paragraph (3) of this Article shall be provided to the Board, with a copy to the Director. Within thirty (30) days of completion of the report, the Board shall begin implementing any changes necessary to provide the Bank with a senior management structure and staff that possesses the skills and expertise identified in the report.

(5) If the Board determines pursuant to paragraphs (3) and (4) of this Article that an officer will continue in his/her position but that the individual's skills need improvement, the Board, within thirty (30) days of its determination, shall, develop and implement a written program, with specific time frames, to improve the officer's skills. At a minimum, the written program with respect to such officer shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) specific additional steps necessary to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and

(d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(6) If the analysis required by paragraph (3) of this Article results in an officer vacancy, including if the Board realigns an existing officer's responsibilities or if an officer position becomes vacant, the Board shall, within sixty (60) days of such vacancy, identify a capable person to fill the position who shall be vested with sufficient executive authority to ensure the safe and sound operation of functions within the scope of that position's responsibility.

(7) Unless otherwise advised in writing by the Director, prior to the appointment of any individual to a senior management position, the Board shall submit to the Director the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the Comptroller's Corporate 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.

(8) The Director shall have the power of veto over the initial employment of the proposed officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer. The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE VI

BOOKS AND RECORDS

(1) The Board of Directors of the Bank (“Board”) shall immediately ensure that no Bank documents, books, and records are destroyed, altered or removed from the Bank’s premises until further written notice from the Director for Special Supervision (“Director”), except that such documents, books, and records may be altered and amended, in the course of ordinary Bank business, in order to record the taking and withdrawals of deposits, and the making of loans, and the receiving of loan payments, along with the recording of other ordinary Bank business. For purposes of this paragraph, “documents, books, and records” shall have the broadest possible meaning reasonably imaginable and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, e-mails, voice-mails, financial instruments and tapes.

(2) The Bank shall provide full and complete details of the purpose of transactions by and between the Bank and any of its customers and by and between the Bank and any of its Directors, officers, and staff, to OCC personnel upon inquiry.

(3) Effective immediately, the Bank and Board of Directors, officers and staff shall cease and desist from any action that directly or indirectly conceals transactions from the OCC, hinders or obstructs the OCC examination process, or constitutes the making of false entries or statements on any of the Bank’s documents, books, and records.

ARTICLE VII

FORENSIC AUDIT TO VERIFY ACCURACY AND COMPLETENESS OF BANK DOCUMENTS, BOOKS, AND RECORDS

(1) The forensic auditor engaged by the Bank, following receipt of the Director’s March 19, 2007 notice of non-objection, shall verify, from January 1, 2005, to the present, the

accuracy and completeness of the Bank's documents, books, and records for the following accounts and relationships at the Bank:

- (a) Bank Account # 101644
 - (b) Bank Account # 114855
 - (c) Bank Account # 194778
 - (d) General Ledger Account / All Prepaid Expense Accounts (including, but not limited to Account #4150)
 - (e) General Ledger Account / All Accrued Salaries Payable Accounts (including, but not limited to Account #3050)
 - (f) General Ledger Account / All Bank Accrual Accounts
 - (g) General Ledger Account / All Bank Payable Accounts
 - (h) General Ledger Account / All Bank Fixed Asset Accounts
 - (i) General Ledger Account / All Bank Expense Accounts
 - (j) All Bank Payroll or Salary Accounts and Sub-ledger Accounts Thereto
 - (k) Bank Account # 107190 (Withholding from Wages); and
 - (l) All Bank-Owned Deposit Accounts.
- (2) The auditor's verification must be completed no later than August 15, 2007.
- (3) Within thirty (30) days of receipt of written notice from the Director that additional accounts, relationships, or other Bank activities shall be reviewed, the Bank shall have the forensic auditor engaged pursuant to this Article verify the accuracy and completeness of the Bank's books and records with regard to such accounts, relationships or activities. Such additional forensic audits must be completed within sixty (60) days of receipt of the Director's written notice.

ARTICLE VIII

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall implement and thereafter ensure Bank 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 adherence to the bank's loan policy;
- (b) a system to document loan policy exceptions;
- (c) procedures to ensure satisfactory and perfected collateral documentation;
- (d) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information; and,
- (e) procedures to track and analyze concentrations of credit.

(2) On a monthly basis, 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;
- (b) the identification and amount of delinquent loans;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) an analysis of concentrations of credit and their impact on the credit quality of the Bank's loan portfolio; and,
- (f) the identification of loans not in conformance with the Bank's lending policies.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

ARTICLE IX

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, 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.

(2) Within sixty (60) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, 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.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and

- (e) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations.
 - (i) Failure to obtain information in 3(e) shall require the Bank's designated compliance committee (as defined by Article I), to certify in writing the specific reasons why obtaining and analyzing the information in 3(e) would be detrimental to the best interests of the Bank;
 - (ii) A copy of this certification shall be maintained in the credit file of the borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank.

ARTICLE X

NONACCRUAL LOANS

- (1) The Board shall ensure implementation and adherence to written policies and procedures governing the supervision and control of nonaccrual loans. Such policies and procedures shall:
 - (a) be consistent with the accounting requirements contained in the Call Report Instructions;
 - (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and,
 - (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

ARTICLE XI

LOAN REVIEW

(1) The Board shall continue to employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) The Board shall continue to maintain an effective, independent and on-going loan review system to review, at least annually, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in "*Rating Credit Risk*" and "*Allowance for Loan and Lease Losses*" booklets of the Comptroller's Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and,
- (f) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending policies.

(3) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE XII

CRITICIZED ASSETS

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

(2) Within thirty (30) days from the effective date of this Order, 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 most recent Report of Examination, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination subsequent to the date of this Order 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; if, however, the Bank is unable to obtain current credit information on a criticized asset, the efforts made to obtain the information should be fully documented in the credit file; and
- (d) the proposed action to eliminate the basis of criticism and the anticipated time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding twenty five thousand dollars (\$25,000) shall be forwarded to the Director.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) 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 twenty five thousand dollars (\$25,000);
- (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.

(6) A copy of each review required by paragraph (5) shall be forwarded to the Director on a monthly basis.

(7) The Bank shall not extend credit, directly or indirectly, including renewals, guarantees to third parties that benefit directly or indirectly the borrower, extensions or capitalization of accrued interest to a borrower whose loans or other extensions of credit are criticized in any Report of Examination, in any internal or external loan review, or in any list subsequently provided to management by the National Bank Examiners during any examination unless 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 such additional extension of credit is in compliance with all applicable law and is a safe and sound banking practice;

- (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; and
- (c) that prior to extending such additional credit, a majority of the disinterested Board members approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank, is in compliance with all applicable law and is consistent with safe and sound banking practices.

(8) A copy of the Board's approval required by paragraph (7)(c) shall be maintained in the file of the affected borrower.

ARTICLE XIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) 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 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 problem credit in excess of twenty-five thousand dollars (\$ 25,000), in accordance with FAS 114;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans; and,

(f) concentrations of credit in the Bank.

(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) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XIV

OVERDRAFT POLICY

(1) The Board shall implement and thereafter ensure Bank adherence to a written policy concerning the extension of overdrafts that shall include, at a minimum:

- (a) conditions and circumstances under which overdrafts will be allowed, taking into consideration the requirements of 12 U.S.C. § 84 and § 375b;
- (b) charges that will be levied against depositors using overdrafts; and,
- (c) conditions and circumstances under which overdrafts will be charged off.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE XV

INTERNAL AUDIT

(1) The Board shall ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;

- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards, problem loan identification and classification;
- (e) review regulatory reports within thirty (30) days of filing, to determine if these contain “material misstatements”; (for purposes of this Article, “material misstatements” has the same meaning as the term is used in the SEC’s Staff Accounting Bulletin No. 99 on Materiality (“SAB 99”)).
- (f) adequately cover all significant bank operational areas; and,
- (g) evaluate the adequacy of and compliance with the Bank’s system of internal controls.

(2) Within thirty (30) days from the effective date of this Order, and annually thereafter, the Board shall establish an annual audit plan, using a risk-based approach, sufficient to achieve the objectives in paragraph (1) of this Article.

(3) The Board shall ensure that the internal audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The person(s) responsible for implementing the internal audit program described above shall report directly to

the Board, or a designated committee, who shall have the sole power to direct their activities. All reports prepared by the internal audit staff shall be filed directly with the Board and not through any intervening party.

(5) The Board shall ensure that all internal audit reports are in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in internal audit reports; that a written record is maintained describing those actions; and that management provides detailed written explanations in those circumstances, if any, where the deficiencies cannot be remedied. The Board shall provide for timely independent written follow-up for any unremedied deficiencies.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. The Bank shall ensure that National Bank Examiners have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) A copy of the internal audit program and annual audit plan shall be submitted to the Director.

(8) The Board shall ensure that the Bank develops and thereafter maintains processes, personnel, and control systems sufficient to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XVI

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that the Bank corrects each violation of law, rule or regulation cited in the most recent Report of Examination, any subsequent Report of Examination, or brought to their attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within thirty (30) days after the

violation is cited or brought to the Board's attention, the Bank shall provide to the Director a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within thirty (30) days from the effective date of this Order, or within thirty (30) days of receipt of any subsequent Report of Examination, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the Report of Examination and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE XVII

INFORMATION TECHNOLOGY

(1) The Board shall implement and thereafter ensure Bank adherence to a written, well-documented, risk-based, internal information technology audit program. At a minimum, the Information Technology (IT) audit program shall be performed by an independent and qualified party, and shall include fundamental elements of a sound audit program as described in the "Audit" booklet of the *FFIEC Information Technology Examination Handbook*.

(2) The Board shall implement and thereafter ensure adherence to a comprehensive, written information security program to ensure the safety and soundness of its operations and to

support the Bank's efforts to comply with 12 C.F.R. Part 30, Appendix B, Safeguarding Customer Information. The information security program shall include administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of customer information. The information security program shall be consistent with the security process described in the "*Information Security*" booklet of the *FFIEC Information Technology Examination Handbook*. At a minimum, the information security program shall include:

- (a) an annual assessment of the risks to its customer information or customer information systems and a written report evidencing such annual assessment. The annual assessment shall include:
 - (i) the identification of reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems;
 - (ii) an assessment of the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; and,
 - (iii) an assessment of the sufficiency of policies, procedures, customer information systems, and other arrangements in place to control risks.
- (b) a process to monitor and control the identified risks, commensurate with the sensitivity of the information as well as the complexity and scope of bank activities; and,
- (c) a test plan that provides for regular testing of key controls, systems and

procedures of its information security program. The frequency and nature of such tests shall be determined by the risk assessment. Such tests shall be conducted or reviewed by independent third parties or staff independent of those who develop or maintain the information security program.

(3) The Board shall ensure that the IT area has processes, personnel and control systems sufficient to ensure implementation of and adherence to the procedures and programs developed pursuant to this Article.

ARTICLE XVIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Director to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(2) All such requests shall be accompanied by relevant supporting documentation, and to the extent requested by the Director, a sworn affidavit or affidavits setting forth any other facts upon which the Bank relies. The Director's decision concerning a request is final and not subject to further review.

ARTICLE XIX

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior determination of no supervisory objection of the Director, the Board has

the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(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 Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Bank or the Board is required to ensure implementation of, adherence to, and undertake 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 Order;
- (b) Require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, 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 WITNESS WHEREOF, my hand given at Washington, D.C. this 19th day of July 2007.

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
First National Bank of Lindsay)	AA-EC-07-13
Lindsay, Oklahoma)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) initiated cease and desist proceedings against The First National Bank of Lindsay, Lindsay, Oklahoma (“Bank”) pursuant to 12 U.S.C. § 1818(b)(1).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated July 19, 2007 (“Order”).

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the United States Department of the Treasury, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) any and all procedural rights available in connection with the issuance of the Order;
 - (b) all rights to seek any type of administrative or judicial review of the Order; and

(c) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency

7/19/07

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

C. Edward Lowe, Jr.

7/18/07

Date

signed

H. Kent Moore III

7/18/07

Date

signed

Harold Murray

7/18/07

Date

signed

Dale Nye

7/18/07

Date

signed

Danny Siebel

7/18/07

Date