#2008-086

AGREEMENT BY AND BETWEEN
Home National Bank, Blackwell, Oklahoma
and
The Comptroller of the Currency

Home National Bank, Blackwell, Oklahoma (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 determined that the Bank has engaged in unsafe and unsound banking practices relating to an unacceptably high level of problem assets, high concentrations of credit in commercial real estate, deficient earnings, and inadequate oversight by management and the Board.

In consideration of the above premise, the Comptroller, through his/her authorized representative, and the Bank, by and through its duly elected and acting Board of Directors (Board), do hereby agree that the Bank shall at all times operate in compliance with the articles of this Formal Agreement (FA).

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) All reports or plans which 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
Arizona/New Mexico Field Office
9633 S. 48th Street; Suite 265
Phoenix, AZ 85044-8629

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within twenty days of the date of this FA, the Board shall appoint a Compliance Committee of at least five directors, of which no more than one shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. 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 FA.

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

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

(a) a description of the action needed to achieve full compliance with each Article of this FA;

(b) actions taken to comply with each Article of this FA; and

(c) the results and status of those actions.

(4) The Board shall forward the first progress report for the period ending July 31, 2008 within thirty days of that date. Thereafter, progress reports will be due within thirty days after the quarter end.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the provisions of this Agreement.

ARTICLE III

LENDING POLICY

(1) Within sixty days of the date of this FA, the Board shall review and revise the Bank's written loan policy to address specific weaknesses identified in commercial real estate lending. In revising this policy, the Board shall refer to "Commercial Real Estate and Construction Lending" booklet of the Comptroller's Handbook. This loan policy shall be expanded to incorporate, but not necessarily be limited to, the following:

(a) guidance on the use of specific loan covenants for all types of loans in credit agreements;

(b) process to track absence of specified covenants as well as borrower noncompliance with covenants as policy exceptions;

(c) guidelines for reasonable repayment terms based on the type of commercial real estate loan and/or performance of the project including maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;

(d) guidelines under (c) above should include consideration of guarantor support and use of curtailment payments to maintain reasonable repayment terms;

(e) procedures for stress testing individual loans at origination and periodically through the life of the loan. The procedures should address stressing of factors including, but not limited to, sales prices, absorption or holding period, discount rates, interest rate, capitalization rates, vacancies, and net operating income based on actual rental income and expenses;

(f) guidelines for obtaining updated appraisals or other collateral valuations and maintaining borrower equity that are consistent with the standards of 12 C.F.R. Part 34, Subpart C and Subpart D. The policy guidelines should specify criteria when re-margining should be considered to maintain borrower equity in the project;

(g) guidelines for renewals or extensions consistent with Banking Circular 255, 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;

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

(iii) provide guidelines and limitations on the use of interest reserves in extensions or renewals including criteria and limitations on the source of funding (borrower, partners, shareholders, guarantors, new debt, etc.); and

(iv) establish criteria to ensure accurate reporting of troubled debt restructurings;

(h) guidelines and limitations on concentrations of credit;

(i) criteria for the timely recognition of criticized or classified assets based on consideration of factors such as, but not limited to, actual and planned project performance, reasons for delays, project viability, collateral value, cost overruns, repayment term, stress testing results, and source of repayment;

(j) measures to correct the deficiencies in the Bank's lending procedures noted in any Report of Examination (ROE); and

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

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

ARTICLE IV

MANAGEMENT INFORMATION SYSTEMS FOR THE COMMERCIAL REAL ESTATE PORTFOLIO

(1) Within ninety days of the date of this FA, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program establishing an effective management information system (MIS) which facilitates risk identification, establishes controls, and delivers accurate information for timely review. The program shall include additional procedures for:

(a) producing complete and relevant information on the status of commercial real estate projects in a summarized form to promote effective decision making;

(b) generating periodic reports, on at least a quarterly basis, which identify emerging problem loans, including consideration of the results of stress testing the commercial real estate loan portfolio;

(c) generating periodic reports, on at least a quarterly basis, on all identified problem loans. The reports should identify the potential for migration to more severe grading categories, nonaccrual status or Other Real Estate Owned (OREO);

(d) maintaining a system by which the Board and management can identify, measure, monitor and control risk based on consideration of aggregate customer liability with the Bank and global cash flows associated with all project liabilities; and

(e) producing information, listed in any ROE, that is necessary to effectively supervise the commercial real estate portfolio.

(2) As a part of the Board's ongoing responsibility to ensure that the Bank has effective MIS, the Board shall designate a senior officer to coordinate the execution of this program.

(3) The Board shall submit a copy of the program to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

ARTICLE V

<u>ALLOWANCE FOR LOAN AND LEASE LOSSES</u>

(1) By no later than September 30, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall develop, implement, and thereafter ensure Bank adherence to 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) development of analysis methodology that fully conforms to the requirements of the interagency policy statement in OCC Bulletin 2007-47 and Generally Acceptable Accounting Principles (GAAP); and

(b) establishment of an appropriate liability reserve for credit risk associated with off-balance sheet commitments.

(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 a prior written determination of no supervisory objection.

ARTICLE VI

CONCENTRATIONS OF CREDIT

(1) Within sixty days of the date of this FA, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with the “Concentrations of Credit” booklet of the Comptroller’s Handbook, Appendix A to 12 C.F.R.

Part 34 Subpart D, and OCC Banking Circular 255. The program shall be expanded to include, but not necessarily be limited to, the following:

(a) risk limits based on consideration of factors such as loan type, loan purpose, loan collateral, geography, market conditions, and any other meaningful factor;

(b) summary reports, for inclusion in Board and management reports, of existing concentrations compared with risk tolerance limits established pursuant to paragraph (1)(a) of this Article; and

(c) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, and consistent with the "Concentrations of Credit" and "Loan Portfolio Management" booklets of the Comptroller's Handbook, a concentration of credit exists when aggregated direct, indirect, or contingent obligations of the same or affiliated interests, industry, product line, collateral, etc., that represent twenty five percent or more of the bank's capital structure (Tier 1 Risk Based Capital plus the Allowance).

(3) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller immediately following the review.

ARTICLE VII

INTERNAL LOAN REVIEW

(1) Within thirty days of the date of this FA, the Board shall establish, implement, and thereafter ensure Bank adherence to an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease

portfolios to validate the grades assigned by the lending staff and 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" booklet 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 and leases;

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

(d) credit and collateral documentation exceptions;

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

(f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;

(g) loans and leases not in conformance with the Bank's lending and leasing policies;

(h) concentrations of credit; and

(i) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank.

(2) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(3) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that appropriate remedial action is taken upon all findings noted in the report(s).

(4) 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 VIII

CAPITAL PLAN

(1) Beginning no later than June 30, 2008, the Bank shall at all times maintain the following minimum capital ratios:

(a) tier 1 capital at least equal to eight percent (8%) of adjusted total assets; and

(b) total risk-based capital at least equal to eleven percent (11%) of risk-weighted assets.

(2) For purposes of this Article, "tier 1 capital," "total risk-based capital," "adjusted total assets," and "risk-weighted assets" are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank is not to 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) Effective no later than December 31, 2008, the Board shall develop and implement a three year capital plan, and thereafter ensure Bank adherence to the plan. The program shall include:

(a) specific plans for the maintenance of adequate capital;

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

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

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

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

(iii) with the prior written approval from the Assistant Deputy Comptroller, which shall be granted or denied within thirty (30) days of the receipt of a dividend request from the Bank.

(5) Prior to adoption, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

ARTICLE IX

ASSET/LIABILITY MANAGEMENT POLICY

(1) Within sixty days of the date of this FA, the Board shall adopt, implement, and thereafter ensure Bank adherence to an expanded written liquidity, asset and liability management policy. In formulating this policy, the Board shall refer to the “Liquidity” and “Interest Rate Risk” booklets of the Comptroller’s Handbook, and OCC Bulletin 2000-16. The policy shall be expanded to address, at minimum, the following issues listed in the ROE:

(a) production of monthly re-forecasts of full year financial projections based on actual year-to-date results and adjustments in any other significant budget assumptions. The re-forecast should be included in Board, management, and appropriate committee reports for consideration in decision making;

(b) inclusion of all significant sources and uses of funds on the contingent sources and uses report. Items to consider include deposit growth, wholesale funding capacity, loan cash flow from principle and interest payments and maturing loans, cash flow from the investment portfolio, available borrowing lines, funding of new loans and existing loan commitments, and any other significant sources and uses of funds;

(c) review of the existing contingency liquidity plan to ensure it forecasts funding needs and funding sources under a stressed scenario and should:

(i) represent management's best estimate of balance sheet changes that may result from a liquidity or credit event;

(ii) identify, quantify, establish, and rank all sources of funding by preference for the various scenarios including asset side funding; liability side funding and off-balance sheet funding;

(iii) ensure that administrative policies and procedures are consistent with the Board's guidance and risk tolerances;

(iv) include assumptions specifically providing for the impact of the Bank falling below well capitalized, including an assumption that the Federal Home Loan Bank may restrict borrowing capacity; and

(v) ensure administrative policies and procedures are consistent with the Board's guidance and risk tolerances.

(d) specific and measurable guidelines for liquidity risk limits that are appropriate based on consideration of the Bank's balance sheet structure and strategic/growth plans, to include, at a minimum:

(i) wholesale deposit dependency limits;

(ii) consideration of appropriate short term liabilities to total assets;

(iii) the appropriate loan to deposit ratio given the Bank's risk profile;

(iv) consideration of appropriate on hand liquidity; and

(v) all other pertinent liquidity risk information that would provide meaningful information to the Board and management.

(e) guidelines for independent validation, and the frequency for validations, of interest rate risk simulation model assumptions; and

(f) periodic review of the Bank's adherence to the policies.

(2) Prior to adoption, a copy of the written policy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(3) The Board shall review and update the Bank's liquidity, asset and liability management policies and contingency liquidity plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

ARTICLE X

COMPLIANCE AUDIT PROGRAM

(1) Within sixty days of the date of this FA, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, compliance audit program sufficient to:

(a) determine the Bank's level of compliance with all applicable laws, rules and regulations based on risk;

(b) document transaction testing sample size, sampling methodologies, coverage amounts, and summary of findings for each compliance audit. Such documentation will be used to support final conclusions, provide a basis for follow-up, and determine the scope and timing of future audits;

(c) test compliance based on an appropriate sample in light of the product or process risk, such as including loans with collateral in a flood zone in the Flood Disaster Protection Act audit;

(d) independently test compliance with the Bank Secrecy Act and related regulations annually;

(e) perform follow-up activities in an appropriate time period, based on audit findings, rather than waiting until the next scheduled audit; and

(f) updating the audit exception tracking report and presenting the report to the Audit Committee.

(2) Upon adoption, a copy of the program shall be forwarded to the Assistant Deputy Comptroller for review.

ARTICLE XI

FREQUENCY OF MEETINGS OF THE BOARD OF DIRECTORS

(1) Effective immediately, the Board shall ensure that formal meetings of the Board of Directors are held every calendar month. Meeting minutes in sufficient detail to document decisions must be maintained.

ARTICLE XII

CLOSING

(1) Although the Board has by this FA consented to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, 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/her by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this FA shall in any way inhibit, estop, bar, or otherwise prevent him/her from so doing.

(3) Any time requirements specified in this FA shall begin to run from the effective date of this FA. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) This FA shall be effective upon execution by the parties hereto, and its provisions shall continue in full force and effect until such time as they shall be amended by written mutual consent of the parties to this FA or excepted, waived, or terminated in writing by the Comptroller.

(5) This FA expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. 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. The terms of this FA, 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 has hereunto set his hand.

/S/	6/18/2008
Richard F. Schobert Assistant Deputy Comptroller Arizona/New Mexico Field Office]	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.

/s/	6/18/2008
L. Enloe Baumert	Date
/s/	6/18/2008
Roger A. Brown	Date
/s/	6/18/2008
Trenton W. Brown	Date
/s/	6/18/2008
Charlotte Delaney	Date
/s/	6/18/2008
Michael J. Groves	Date
/s/	6/18/2008
Lisa D. Kessler	Date
/s/	6/18/2008
Robert McGoffin	Date
/s/	6/18/2008
Mark D. Paton	Date
/s/	6/18/2008
David K. Ross	Date
/s/	6/18/2008
Brian Ruisinger	Date
/s/	6/18/2008
Jay Warren	Date
/s/	6/18/2008
Richard Welborn	Date