#2008-116

AGREEMENT BY AND BETWEEN
First National Bank
Hays, Kansas
and
The Comptroller of the Currency

First National Bank, Hays, Kansas ("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 supervision of the affairs of the Bank.

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 to continue to be designated as in "troubled condition," as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an "eligible bank" for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) 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
Kansas City--North Field Office
7101 College Boulevard, Suite 1600
Overland Park, Kansas 66210

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) 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 Agreement.

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

(3) Beginning on November 30, 2008, and every three months 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 Agreement;

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

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's 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 OF OPERATING SUBSIDIARIES

(1) Within sixty (60) days, the Board and senior management need to develop and maintain a written operating plan for each subsidiary of the Bank. Each plan shall be reviewed and updated at least annually and shall include the following information, at a minimum:

(a) an inventory of the products and services offered by the subsidiary;

(b) a capital plan identifying and justifying the appropriate level of capital for the operating subsidiary;

(c) a funding plan identifying the level of liquidity needed to support the operating subsidiary’s activities;

(d) a description of the audit and internal controls program with emphasis on controls over significant business functions;

(e) a description of the operating subsidiary's IT program and development of a compliance plan for applicable IT laws and regulations;

(f) an identification of relevant laws and regulations governing the operating subsidiary's activities and formulation of a compliance program to comply with the applicable laws and regulations; and

(g) a summary of risk mitigation activities, to include insurance and bonding coverage and justification of the bond/insurance coverage levels selected.

ARTICLE IV

STRATEGIC PLAN

(1) Effective immediately, the Bank shall only declare dividends:

(a) when the Bank is in compliance with the Bank's Three-Year Plan;

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

(c) with the prior written approval from the Assistant Deputy Comptroller.

(2) Within sixty (60) days of the date of this Agreement, the Board shall develop a written strategic plan that covers at least the next three years (hereafter the Bank's "Three-Year Plan"), complete with specific time frames that incorporate the strategic and other requirements of this Article. Copies of the Bank's Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Upon receipt of prior written determination of no supervisory objection, the Board shall immediately implement and thereafter ensure adherence to the Bank's Three-Year Plan, as modified by the Assistant Deputy Comptroller, if appropriate.

(3) The Bank's Three-Year Plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, that are specific, measurable, and verifiable. At a minimum, the Bank's Three-Year Plan shall address or include:

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

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

(c) the development of strategic goals and objectives to be accomplished over the short and long term, including focusing on improving trends in asset quality, reducing the level of concentrations of credit, and improving earnings;

(d) specific plans to establish responsibilities and accountability for the strategic planning process, new products, loan growth, proposed changes in the Bank's operating environment, and reduction of problem assets;

(e) recognition that the Bank cannot offer or introduce new products, create or purchase any new subsidiaries, or enter new market segments until it adopts and implements appropriate risk management systems and receives prior written determination of no supervisory objection from the Assistant Deputy Comptroller;

(f) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;

(g) specific plans for the maintenance of adequate capital as required by the OCC and sufficient to be well capitalized under 12 C.F.R. Part 6;

(h) the primary source(s), especially those that are not credit sensitive, from which the Bank will maintain a capital structure sufficient to meet the Bank's needs;

(i) contingency plans that identify alternative capital sources should the primary source(s) under subparagraph (g) not be available;

(j) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years;

(k) systems to monitor the Bank's progress in meeting the plan's goals and objectives;

(l) monthly progress reports comparing actual results to defined targets for Board review; and

(m) specific processes to hold management accountable for explaining significant deviations from targeted results and identifying options to achieve targeted results.

ARTICLE V

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, 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 (Section 216)*. The program shall include, but not necessarily be limited to, the following:

(a) a review of current policies, processes and procedures to control and monitor concentrations of credit;

(b) a written analysis of all concentrations of credit that fully assesses inherent credit, liquidity, and interest rate risk;

(c) establishment of safe and sound, formal risk limits for all concentrations of credit based on a percentage of capital; and

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

(2) The Board shall ensure that future concentrations of credit are subjected to the analysis required by paragraph (1)(b), and the limits established by paragraph (1)(c), of this Article and that the analysis demonstrates that the concentration will not subject the Bank to undue credit, liquidity, or interest rate risk.

(3) The Board shall forward a copy of the written asset diversification program, including the analysis of existing concentrations of credit, and the establishment of formal limits for all existing or future concentrations of credit, to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

ARTICLE VI

INFORMATION TECHNOLOGY

(1) The Board shall immediately take all steps necessary to improve the management of the Information Technology ("IT") activities of the Bank and its subsidiaries (hereinafter collectively referred to as "the Bank"), and to correct each deficiency cited by the Comptroller.

(2) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure adherence to a comprehensive, written information security program to ensure the safety and soundness of the Bank's operations and to support its 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 the Bank's 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) a corporate-wide assessment of the risks to the Bank's customer information or customer information systems and a written report evidencing such assessment. The 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 the Bank's 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) Within sixty (60) days, the Board shall develop, implement, and thereafter adhere to, a written program to oversee and manage risks associated with outsourcing technology services to third party servicers, including technology service providers and vendors. This third party management program shall be consistent with OCC Bulletin 2001-47, "Third Party Relationships," dated November 1, 2001, and OCC Advisory Letter 2000-12, "Risk Management of Outsourcing Technology Services" dated November 28, 2000.

(4) Within sixty (60) days, the Board shall develop and implement a formal enterprise-wide business continuity process at the Bank that complies with the requirements set

forth in the “Business Continuity Planning” booklet of the FFIEC Information Technology Examination Handbook. At a minimum, the business continuity process shall include:

(a) a business impact analysis that includes:

(i) the identification of the potential impact of uncontrolled, non-specific events on the institution’s business processes and its customers; and

(ii) an estimation of the maximum allowable downtime and acceptable levels of data, operations, and financial losses.

(b) a risk assessment process that includes:

(i) the prioritization of potential business disruptions based upon severity and likelihood of occurrence;

(ii) a gap analysis comparing the institution’s existing business resumption plans, if any, to what is necessary to achieve recovery time and point objectives; and

(iii) an analysis of threats based upon the impact on the institution, its customers, and the financial markets, not just the nature of the threat.

(c) a risk management process that includes the development of a written, enterprise-wide business continuity plan (BCP) at the Bank; and

(d) a risk monitoring process that includes:

(i) testing of the BCP on at least an annual basis;

(ii) independent audit and review of the BCP; and

(iii) updating the BCP based upon changes to personnel and the internal and external environments.

(5) The Board shall provide a quarterly written progress report on each of the requirements of this Article to the Assistant Deputy Comptroller.

ARTICLE VII

NEW PRODUCTS AND SERVICES

(1) Prior to the Bank's involvement in any new products or services--whether offered through the Bank, an operating subsidiary, an investment partner or the bank holding company--the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

(a) an assessment of the risks and benefits of the product or service to the Bank;

(b) an explanation of how the product or service is consistent with the Bank’s strategic plan;

(c) an evaluation of the adequacy of the Bank’s organizational structure, staffing, MIS, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service;

(d) a detailed explanation of how the Bank will ensure that the products or services comply with all applicable laws and regulations; and

(e) a profitability analysis, including growth projections, interest rate risk and impact on capital.

(2) Prior to the Bank's involvement in the new product or service, a copy of the analysis shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

ARTICLE VIII

BSA/AML/OFAC RISK ASSESSMENT

(1) Within sixty (60) days, the Board shall ensure that management revises the Bank's current BSA/AML/OFAC risk assessment to, at a minimum:

(a) incorporate the Bank's OFAC risk;

(b) incorporate the Bank's operating subsidiaries, particularly with respect to BSA and OFAC risk;

(c) revise the numbering system used to better quantify the risk and provide a more meaningful evaluation of potential threats;

(d) expand the information contained in the Policies/Procedures/Controls column to explain more specifically how the Bank is mitigating its BSA/AML risk; and

(e) expand the e-banking function area to include each of the services offered and detail the Bank's risk mitigation processes in place.

ARTICLE IX

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 by the Comptroller. The

quarterly 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 future violations as cited by the Comptroller 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) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

ARTICLE X

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. 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 to ensure 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 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. 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 his hand on behalf of the Comptroller.

/s/	9/10/2008
Michael G. Koll, Sr. Assistant Deputy Comptroller Kansas City—North 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/	9/10/08
Charles J. Allphin	Date
/s/	9/10/08
Allen J. Leiker	Date
/s/	9/10/08
Michael McClellan	Date
/s/	9/10/08
Kathlene Perrigo	Date
/s/	9/10/08
Randy Schmidtberger	Date
/s/	9/10/08
Alan E. States	Date
/s/	Sept. 10, 2008
Carolyn L. States	Date