#2009-155

AGREEMENT BY AND BETWEEN
Central National Bank
Junction City, Kansas
and
The Comptroller of the Currency

Central National Bank, Junction City, 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 determined that the Bank has engaged in unsafe or unsound banking practices relating to its Board and management oversight, strategic planning, credit administration and credit risk management.

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 not be construed to be a "written agreement, order, or capital directive" within the meaning of 12 C.F.R. § 6.4.

Article II

COMPLIANCE COMMITTEE

(1) Within five (5) days, the Board shall appoint a Compliance Committee of at least three (3) members, of which no more than one (1) 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)), 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.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement and shall meet at least monthly.

(3) Beginning January 30, 2010, and within thirty (30) days of the end of every calendar quarter 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 provide a summary report of the progress reached in attaining compliance with each Article of this Agreement to the Assistant Deputy Comptroller within thirty (30) days of the end of each calendar quarter.

(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:

Michael G. Koll, Sr.
Assistant Deputy Comptroller
Kansas City North Field Office
7101 College Blvd., Suite 1600
Overland Park, Kansas 66210

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures and programs required by this Agreement.

Article III

CAPITAL AND STRATEGIC PLAN

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

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

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

(c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(2) Within one hundred twenty (120) days, the Board shall develop a written strategic plan for the Bank covering 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. A copy of the Bank's Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(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 specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

(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;

(c) the development of strategic goals and quantifiable measures with specific implementation dates, individual responsibilities, and accountability to ensure the Bank attains sustained earnings to support capital and liquidity;

(d) the identification of present and future product line development (assets and liabilities) and market segments that the Bank intends to develop or promote;

(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 pursuant to this Article;

(f) specific plans to establish responsibilities and accountability for the strategic planning process, new products, proposed changes in the Bank's operating environment, reduction of problem assets, Bank-wide consistent application of policies and procedures, and the maintenance of adequate liquidity;

(g) specific management, staffing and other changes necessary to implement the Bank's Three-Year Plan and attain compliance with this Agreement;

(h) control systems to identify and reduce risk to earnings, capital, reputation, and liquidity, and risks associated with any proposed changes in the Bank's operating environment;

(i) recognition that the Bank cannot offer or introduce new products, enter new market segments, or significantly expand any existing product unless it first develops appropriate systems, controls, and expertise to manage and control the associated risks;

(j) concentration limits that reflect the Board's objectives and limitations for the Bank's risk profile;

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

(l) development of a written Project Management System to be utilized prior to the Bank's involvement in any new products or services, significant modification of any existing products or services, modification of business or risk management strategies, implementation of new technology, or action taken to comply with regulatory mandates ("proposed projects").

Using the Project Management System, the Board shall prepare a written analysis of said proposed project prior to implementation. The Project Management System shall, at a minimum, require the following analyses and actions:

(i) an assessment of the risks and benefits of the proposed project to the Bank;

(ii) an explanation of how the proposed project is consistent with the Bank's strategic plan, developed pursuant to this Article;

(iii) 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 proposed project;

(iv) adoption and implementation of internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the proposed project prior to introducing the product or service into the Bank's live environment;

(v) adequate testing of systems prior to introduction into the Bank's live environment; and

(vi) a profitability analysis, including growth projections and interest rate risk; and

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

(4) The Bank's Three-Year Plan shall take into account the Bank's current condition, including issues related to Asset Quality, Credit Risk Management and any other concern addressed in the Report of Examination dated as of March 31, 2009, or this Agreement, as a starting point for the Plan, shall include plans to address these issues going forward, and shall contain realistic future projections and expectations in light of these issues.

(5) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, Management shall communicate the Board's goals and objectives for the Bank to the staff in such a way that the importance of the objectives contained in the Bank's Three-Year Plan is clearly understood.

(6) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately begin implementing and thereafter ensure adherence to the Bank's Three-Year Plan.

Article IV

CREDIT RISK MANAGEMENT

(1) Within ninety (90) days, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program (including appropriate revisions to policies and procedures) designed to manage the risk in the Bank's commercial loan portfolio in accordance with safe and sound banking practices, that, at a minimum, includes:

(a) the establishment of an overall commercial lending strategy, to include concentration limits stratified by type, locality and other meaningful measures;

(b) monthly monitoring of concentration reports that stratify the portfolio by product type, locality and other meaningful measures;

(c) strategies and procedures to manage concentrations to conform with established limits set in Subparagraph (a) of this Article;

(d) significant borrower stress testing and/or sensitivity analysis to quantify the impact of changing economic conditions on asset quality, earnings, and capital;

(e) revised policies and procedures to ensure that the lending officers accurately and thoroughly analyze and assess all primary and secondary repayment sources for loans, including but not limited to:

  (i) assessing the potential impact of any contingent liabilities;

  (ii) obtaining documentation to verify liquid assets;

  (iii) conducting a global cash flow analysis;

  (iv) consideration of projects financed elsewhere; and

  (v) integrating multiple partnership and corporate tax returns, business financial statements, K-1 forms, and individual tax filings;

(f) systems to ensure that individual loan officers are held accountable for completing an adequate analysis of potential commercial credits pursuant to this Article;

(g) the establishment of Loan Policy commercial underwriting standards by commercial loan type that include specific requirements relating to:

  (i) maximum loan amount and maturity by type of loan;

  (ii) approval authorizations;

(iii) minimum file documentation and analysis;

(iv) minimum requirements for initial investment and maintenance of hard equity;

(v) minimum standards for borrower net worth, property cash flow/debt service, collateral coverage, and guarantor support;

(vi) minimum standards for the acceptability, and limits of soft cost and/or interest reserve financing;

(vii) maximum amortization periods and minimum principal curtailment for CRE and construction projects that are not meeting original projections; and

(viii) procedures for loan closing and disbursement processes, including the supervised disbursement of construction loan proceeds;

(h) ongoing monitoring of CRE loans secured by investment properties through receipt of periodic rent rolls and current leases;

(i) maintenance of proper collateral margins in all loans secured by real estate;

(j) standards for when commercial loan policy exceptions are appropriate, what factors should exist to mitigate exceptions, and how the level and trend of exceptions should be tracked and reported to the Board;

(k) standards for appraisals in accordance with Article VI of this Agreement; and

(l) standards to ensure commercial loans are appropriately risk rated in accordance with Article V of this Agreement.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article V

CREDIT RISK RATINGS

(1) Within sixty (60) days, the Board shall develop a program to ensure that the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, provisions requiring that:

(a) the Board adopts a loan grading system that is consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook* and is based upon definitive objective and subjective criterion;

(b) the Bank's loans and other assets are graded based upon current facts and existing/reasonable (considering the loan purpose) repayment terms with a focus upon whether the primary repayment source is threatened by a well-defined weakness and whether the credit relies heavily upon secondary repayment sources, especially illiquid collateral or an unsubstantiated guarantor;

(c) lending officers conduct periodic, formal reviews for determining the appropriate risk rating and accrual determination;

(d) appropriate analysis and documentation are maintained in the credit files to support the current and previous risk rating or accrual determination for all credit relationships totaling five hundred thousand dollars ($500,000) or more;

(e) the President, Senior Loan Officer, and all lending officers receive immediate training with respect to the application of Subparagraphs (a) through (d) of this Article;

(f) the lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring that the Bank's loans and other assets are appropriately and timely risk rated, charged off and/or placed on nonaccrual; and

(g) independent validation of the risk rating process.

(2) The Board shall ensure that an external review of the loan portfolio is conducted, pursuant to the standards described in this Article, to determine the amount of risk in the loan portfolio.

(3) After the Board has developed the program required by this Article, the Board shall immediately implement, and shall thereafter ensure adherence to its terms.

Article VI

APPRAISAL AND EVALUATION PROCESS

(1) Within sixty (60) days, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to ensure the Bank obtains appraisals in compliance with USPAP, 12 C.F.R. Part 34, Advisory Letter 2003-9, and OCC Bulletin 2005-6, to include at a minimum:

(a) the required use of a standard appraisal form for ordering all appraisals;

(b) the ordering of appraisals, independent of the lending function;

(c) the use of Board approved appraisers only;

(d) expectations regarding the selection of comparable sales, and when income or cost analysis should be used for income producing properties;

(e) procedures in place to ensure that where appropriate, deductions and discounts are properly considered in the valuation process;

(f) use of the income approach for valuing rental units, where appropriate;

(g) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis commensurate with the type, size and complexity of the property being appraised; and

(h) the establishment of a tickler system for tracking appraisals ordered, received, returned, and reviewed.

(2) The Board shall ensure that an external review of the loan portfolio is conducted, pursuant to Article IX of this Agreement, to identify other possible instances in which Real Estate collateral has been improperly valued and take the necessary corrective action upon discovery of improper valuation.

(3) The Board shall take steps to correct, to the extent such violations can be remedied, all violations of law cited in the Report of Examination dated as of March 31, 2009, and any other violation discovered in the external review of the loan portfolio are corrected, and that procedures are put into place to prevent future occurrences.

(4) The Board shall ensure that training is provided to all commercial lending staff such that each individual is able to comply with the credit underwriting terms of this Article.

Article VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall revise, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with Generally Accepted Accounting Principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47), and shall include, but not be limited to:

(a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial

Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;

(b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;

(c) procedures for validating the ALLL methodology;

(d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:

(i) trends in the Bank's internal risk ratings, delinquent and nonaccrual loans;

(ii) results of the Bank's external loan review, conducted pursuant to Article IX of this Agreement;

(iii) concentrations of credit in the Bank;

(iv) present and prospective economic conditions; and

(v) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the ALLL. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, 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 ALLL.

Article VIII

PROBLEM LOAN MANAGEMENT

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated as of March 31, 2009, in any subsequent Report of Examination, by the loan review conducted as of June 30, 2009 or any subsequent internal or external loan review, or in any list provided to management by the National Bank Examiners during any subsequent examination.

(2) The Board's compliance with Paragraph (1) of this Article shall include the development of procedures for the quarterly submission and review of Problem Asset Reports ("PARs" or "PAR") of all criticized credit relationships or Other Real Estate ("ORE") totaling five hundred thousand dollars ($500,000) or more. PARs shall contain, at a minimum, analysis and documentation of the following:

(a) an identification of the expected sources of repayment and an analysis of their adequacy;

(b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable as well as other necessary documentation to support the collateral valuation, as directed by Article VI of this Agreement;

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

(d) an assessment of the borrower's global cash flow;

(e) an assessment of any guarantor's global cash flow;

(f) the current grade and proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

(g) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;

(h) a determination of whether the loan is impaired and the amount of the impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;

(i) for criticized relationships of five hundred thousand dollars ($500,000) or above that were made for the purpose of constructing or developing CRE, the PARs shall also include:

(i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;

(ii) project development status;

(iii) a comparison of development costs to the budgeted amount;

(iv) a comparison of sales activity to the original sales projections;

(v) amount of initial interest reserve and the amount of any subsequent additions to the reserve; and

(vi) any other significant information relating to the project; and

(j) an evaluation of the progress made in the last quarter.

(3) Within thirty (30) days of the end of each calendar quarter, the Bank shall assess the overall progress made pursuant to this Article, and determine appropriateness of the plans, policies and procedures adopted pursuant to this Article.

(4) A copy of each PAR prepared along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit or to dispose of the ORE, and the assessment made pursuant to Paragraph (3) of this Article, shall be submitted to the Assistant Deputy Comptroller within thirty (30) days after the end of each calendar quarter.

(5) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the Report of Examination dated as of March 31, 2009, in any subsequent Report of Examination, in the loan review conducted as of June 30, 2009 or any subsequent internal or external loan review, or in any subsequent list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions of credit equal or exceed five hundred thousand dollars ($500,000), unless each of the following conditions is met:

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

(b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

Article IX

EXTERNAL LOAN REVIEW

(1) The Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The external loan review 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, A-RCR, of the *Comptroller's Handbook*. Such reports shall, at a minimum, include comments and conclusions regarding:

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

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

(c) the identification/status of credit related violations of law or regulation;

(d) loans not in conformance with the Bank's lending policies;

(e) credit underwriting and documentation exceptions;

(f) credit analysis and documentation of such;

(g) accuracy of internal risk ratings;

(h) overall credit administration practices; and

(i) completeness and effectiveness of problem loan workout plans.

(2) Prior to the appointment or employment of any individual as loan review consultant or entering into any contract with any consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the OCC has advised the Bank that it does not take supervisory objection to the loan

review consultant or the scope of the review, the Board shall immediately engage the loan review consultant pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports.

(4) The Bank shall not terminate the consultant's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article X

CALL REPORTS - REFILE

(1) Within thirty (30) days, the Board shall refile any Call Report filed within the last year which was not in compliance with 12 U.S.C. § 161.

(2) Within sixty (60) days, the Board shall establish, implement, and thereafter ensure Bank adherence to written procedures to prevent future violations of 12 U.S.C. § 161 and in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income.

(3) Upon completion of the policies, the Board shall submit a copy of the policies to the Assistant Deputy Comptroller.

Article XI

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 noncompliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner of any noncompliance 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/ 9/17/09

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/	9/17/09
Thomas Adrian	Date
/s/	9/17/09
Leland Arpin	Date
Sam Baird	Date
Steve Kitchen	Date
/s/	9/17/09
Charles Munson	Date
/s/	9/17/09
Robert Munson	Date
/s/	9/17/09
Tony Nardella	Date
/s/	9/17/09
H. Calvin Pottberg	Date
/s/	9/17/09
Ed C. Rolfs	Date
/s/	9/17/09
Thomas J. Rolfs	Date

/s/ 9/17/09

Clarence Waters Date

James R. Waters Date

Bruce Woner Date