FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
and
KANSAS OFFICE OF THE STATE BANK COMMISSIONER
TOPEKA, KANSAS

In the Matter of	)	
	)	**ORDER TO**
THE COLUMBIAN BANK AND TRUST	)	**CEASE AND DESIST**
COMPANY	)	
TOPEKA, KANSAS	)	**FDIC-08-085b**
	)	**OSBC 08-01**
(Insured State Nonmember Bank)	)	
	)	

The Columbian Bank and Trust Company, Topeka, Kansas, having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and regulation alleged to have been committed by the Bank, as well as of its rights to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act (“Act”), 12 U.S.C. § 1818(b), and Kansas Statutes Annotated 9-1807, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST (“CONSENT AGREEMENT”) dated July 15, 2008, with counsel for the Federal Deposit Insurance Corporation (“FDIC”) and the Commissioner of the Kansas Office of the State Bank Commissioner (“OSBC”), whereby, solely for the purpose of this proceeding and without admitting or denying any charges of unsafe or unsound banking practices and violations of law and regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the OSBC.

The FDIC and the OSBC considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe and unsound banking practices and violations of law and regulation. The FDIC and the OSBC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law and regulation:

A. Operating with a board of directors that has failed to provide adequate supervision over and direction to the management of the Bank.

B. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

C. Operating with an inadequate level of capital protection for the kind and quality of assets held and/or appropriate to the risk inherent in the activities engaged in by the Bank.

D. Engaging in hazardous lending and lax collection practices, including, but not limited to:

1. the failure to analyze and evaluate financial condition and repayment capacity of borrowers;

2. the failure to establish and enforce adequate loan repayment programs;

3. inappropriate use of interest reserves;

4. the extension of credit with inadequate diversification of risk;

5. the failure to obtain market feasibility analyses for land acquisition, development, and construction loans;

6. making out of territory or market area loans without adequate knowledge and expertise regarding that locality; and

7. other poor credit administration practices.

E. Operating with an excessive level of adversely classified loans or assets, and/or delinquent loans and/or non-accrual loans.

F. Failing to properly identify risk and assess the level of risk in problem loans.

G. Operating with an inadequate loan policy.

H. Operating with an inadequate allowance for loans and lease losses for the volume, kind, and quality of loans and leases held, and/or failing to make provision for an adequate allowance for possible loan and lease losses.

I. Operating with excessive interest rate sensitivity risk.

J. Operating with inadequate liquidity in light of the Bank's asset and liability mix.

K. Operating with an inadequate asset/liability and/or funds management policy.

L. Operating with inadequate policies to monitor and control asset growth.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. Qualified Chief Executive Officer.

Within 60 days of the effective date of this ORDER, the Bank shall have a qualified chief executive officer. The chief executive officer shall have the requisite knowledge, skills, ability, and experience to operate the Bank in a safe and sound manner and in compliance with applicable laws and regulations, as well as to restore the Bank to a satisfactory financial condition. The chief executive officer shall be provided appropriate written authority from the board of directors to implement the provisions of this ORDER. If the

Bank is unable to employ a qualified CEO within the timeframe set forth above, the Board shall document its efforts to locate such candidates. Thereafter, the Board shall provide monthly reports to the Kansas Office of the State Bank Commissioner (“Commissioner”) and to the Regional Director of the FDIC’s Kansas City Regional Office, or his designee (“Regional Director”) (collectively, “Supervisory Authorities”).

2. Qualified Chief Loan Officer.

Within 60 days of the effective date of this ORDER, the Bank shall have a qualified chief loan officer with the requisite knowledge, skills, ability, and experience including problem loan workout experience and giving consideration to the size and complexity of the Bank, to administer the loan portfolio of the Bank in a safe and sound manner and in compliance with applicable laws and regulations and restore the loan portfolio to a satisfactory condition. If the Bank is unable to employ a qualified CLO within the timeframe set forth above, the Board shall document its efforts to locate such candidates. Thereafter, the Board shall provide monthly reports to the Supervisory Authorities.

3. <u>Assessment</u>.

(a) Within 30 days of the effective date of this ORDER, the board of directors shall engage an independent consultant that possesses appropriate expertise and qualifications and is acceptable to the Supervisory Authorities, to analyze and assess the Bank's management and staffing performance and needs and prepare a written report to the board of directors.

(b) The Bank shall provide the Supervisory Authorities with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, shall include:

(i) a description of the work to be performed, including a requirement that the analysis and assessment be summarized in a written report to the board of directors ("Consultant's Report");

(ii) the estimated fees for each significant element of the engagement, and the estimated aggregate fee;

(iii) the responsibilities of the consultant;

(iv) identification of the procedures to be used when carrying out the work to be performed;

(v) the qualifications of the consultant and its employee(s) who are to perform the work;

(vi) a requirement that the work be completed and the Consultant's Report presented to the board of directors within 60 days of the date of engagement;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted access by the Supervisory Authorities to the consultant's workpapers; and

(ix) a certification that neither the consultant nor any individual owner, officer or employee of the consultant (if the consultant is not an individual) is affiliated in any manner with the Bank.

(c) The analysis and assessment required by subparagraph 3(a) shall, at a minimum:

(i) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank and detail any vacancies or additional needs, giving appropriate consideration to the size and complexity of the Bank;

(ii) identify the authorities, responsibilities, and accountabilities attributable to each position, and the existing or proposed compensation and bonuses;

(iii) evaluate the current and past performance of all existing Bank officers, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank’s established policies and practices, and operate the Bank in a safe and sound manner; and

(iv) identify the Bank committees needed to provide guidance and oversight to management.

(d) Within 30 days of receipt of the Consultant’s Report, the board of directors shall:

(i) conduct a full and complete review of the Consultant’s Report, which review shall be recorded in the minutes of the board; and

(ii) develop a written plan that incorporates the findings of the report, a plan of action in response to each recommendation contained in the report, and a time frame for completing each action (“Management Plan”).

(e) At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Consultant’s Report or otherwise communicated to the Bank by the consultant;

(ii) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank and detail any vacancies or additional needs, giving appropriate consideration to the size and complexity of the Bank;

(iii) identify the authorities, responsibilities, and accountabilities attributable to each position and the existing or proposed compensation and bonuses;

(iv) evaluate the current and past performance of all existing Bank officers, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner;

(v) identify and establish Bank committees needed to provide guidance and oversight to management;

(vi) establish requirements and methodologies to periodically evaluate each individual's job performance;

(vii) establish a plan to terminate, rotate, or reassign officers and staff as necessary, as well as recruit and retain qualified personnel consistent with the analysis and assessment of the Bank's staffing needs;

(viii) identify training and development needs and incorporate a plan to provide such training and development;

(ix) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer;

(x) contain a current organizational chart that identifies all existing and proposed officer positions, delineates related lines of authority and accountability, and establishes a written plan for addressing any identified needs; and

(xi) contain a current management succession plan.

(f) The Bank shall promptly submit the Consultant's Report and Management Plan to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comments by the Supervisory Authorities, and after due consideration of any recommended changes, the board of directors shall approve the Management Plan, which approval shall be recorded in the minutes of the board. Thereafter, the Bank and its institution-affiliated parties shall implement and fully comply with the Management Plan. It shall remain the responsibility of the board of directors to fully implement the Management Plan within the specified time frames. In the event the Management Plan, or any portion thereof, is not implemented, the board shall immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan. Any subsequent modification of the Management Plan shall be submitted to the Supervisory Authorities for review and comment and shall not be implemented without the prior written approval of the Supervisory Authorities.

4. Liquidity and Funds Management.

(a) Within 5 days from the effective date of this ORDER, the Bank shall prepare a written liquidity analysis and projection for the sources and uses of funds, including but not limited to the following:

Sources:

(i) listing of loans available for participation or sale and a list of committed purchasers;

(ii) a listing and projected pay offs or pay downs of loans;

(iii) a listing of all funding sources and borrowings and level of commitments/availability;

(iv) projection and breakdown of deposit growth from non-brokered deposits and sources;

Uses:

(v) listing and timing of contractually binding loan commitments that are expected to be funded;

(vi) projections for known maturities or anticipated brokered deposit withdrawals;

(vii) projections, including best and worst case scenarios, of large public/private deposit withdrawals;

Projections and Contingency Plans:

(viii) projections for curtailing loan growth and shrinking the total asset size of the Bank; and

(ix) specific contingency plans in the event that anticipated events do not materialize, or in case of some other liquidity emergency.

(b) The analysis and projection required by paragraph (a) above shall be reviewed for viability on a daily basis, and updated as necessary.

(c) Within 10 days from the effective date of this ORDER, the Bank shall review its liquidity and funds management policies and plans, and develop or amend each as necessary. Said policies should address the concerns detailed in the January 28, 2008 FDIC Report of Examination ("Report of Examination"), and specifically how the Bank will increase its liquid assets and reduce its reliance on liabilities for liquidity purposes. The Bank shall submit the policies and plans, and any future modifications, to the Supervisory Authorities for review and comment. Within 10 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the revised policies and plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the policies and plans.

5. Capital Maintenance.

(a) The Bank will maintain a sufficient level of capital for a Total Risk-Based Capital Ratio of not less than 12.5

percent and a Tier 1 Leverage Capital Ratio of not less than eight (8.0) percent.

(b) If its capital ratios are less than these minimum requirements, within 10 days from said required determination, the Bank shall submit a written plan to the Supervisory Authorities, describing the means and timing by which the Bank shall increase such capital ratios up to or in excess of the minimum requirements. Within 30 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the written plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the written plan.

6. Dividend Restriction.

While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

7. Brokered Deposits.

(a) Upon the effective date of this ORDER and so long as this ORDER is in effect, the Bank shall not accept, increase, renew, or rollover its brokered deposits without the prior written approval of the Supervisory Authorities. Within ten (10) days of the effective date of this ORDER, the Bank shall submit a written plan for reducing its reliance on brokered deposits (“brokered deposit plan”) to the Supervisory Authorities. The brokered deposit plan shall detail the current composition of the Bank’s brokered deposits by maturity and explain the means by which such deposits will be paid. The Bank shall submit the brokered deposit plan to the Supervisory Authorities for review and comment. For purposes of this ORDER, brokered deposits are defined in section 337.6(a)(2) of the FDIC Rules and Regulations to include any deposits funded by third-party agents or nominees for depositors, including deposits managed by a trustee or custodian when each individual beneficial interest is entitled to or asserts a right to federal deposit insurance. Within 30 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the brokered deposit plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the brokered deposit plan.

(b) By the 10th day of each month, the Bank shall provide a written progress report to the Supervisory Authorities detailing the Bank’s level and source of liquidity and use of brokered deposits, with specific reference to progress under the Bank's brokered deposit plan.

8. Concentrations of Credit.

(a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit a written plan to the Supervisory Authorities for systematically reducing and monitoring the Bank's portfolio of loans or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers ("concentration plan"), as listed in the Concentrations section of the Report of Examination. At a minimum, the plan shall include:

(i) dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors; and

(iv) procedures for monitoring the Bank's compliance with the plan.

(b) The Bank shall submit the concentration plan to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Bank shall approve the concentration plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the concentration plan.

9. Charge-off of Adversely Classified Assets and Contingent Liabilities.

(a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the Report of Examination that have not been previously collected or charged off.

(b) Additionally, within 10 days after the receipt of any future Report of Examination of the Bank from the FDIC and/or the OSBC, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the Report of Examination that have not been previously collected or charged off.

(c) Elimination or reduction of assets through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

10. Reduction of Adversely Classified Assets.

(a) Within 60 days from the effective date of this ORDER, and 30 days from receipt of future Reports of Examination from the FDIC and/or the OSBC, the Bank shall develop and complete a written plan to reduce the Bank's risk exposure in each asset in excess of $500,000 classified "Substandard" or "Doubtful" in the Report of Examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the FDIC and the OSBC. In developing the plan mandated by this paragraph, the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) In addition, the plan mandated by this provision shall also include, but not be limited to, the following:

(i) specific action plans intended to reduce the Bank's risk exposure in each classified asset;

(ii) a requirement that monthly written progress reports be submitted to the board of directors; and

(iii) a requirement that the board review the progress reports and record with a notation of the review in the minutes of the board of directors.

(c) The Bank shall submit the plans required by this paragraph to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the plan.

11. Restrictions on Advances to Adversely Classified Borrowers.

(a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or adversely classified “Substandard” or "Doubtful" in the Report of Examination and is uncollected, or classified “Substandard” or “Doubtful” in any future FDIC or OSBC Reports of Examination and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Paragraph (a) of this provision shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank's board of directors, or a designated committee thereof, who shall conclude:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank's position, with an explanatory statement of why the Bank's position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(c) The board of directors' conclusions and approval shall be made a part of the minutes of the board, or designated committee, with a copy retained in the borrower's credit file.

12. <u>Capitalized Interest, Interest Reserves and Origination Fees</u>.

(a) Within 90 days from the effective date of the ORDER, the Bank will review and identify all loans originated and/or held by the Bank for which all or any part of interest reserves, accrued but unpaid interest and/or loan origination fees (including broker fees) have been added to the principal of the loan or otherwise booked on the accounts of the Bank either during the term of the loan or as part of its renewal. This information will be compiled into a report including the borrower's name, loan origination date and amount, current outstanding loan amount, interest reserve dollar amount, term of the interest reserve, funding history of the interest reserve, cumulative amount of capitalized interest and amount of capitalized fees. This report is to be maintained, updated and reviewed by the board of directors on a quarterly basis in connection with preparation of the Bank's Call Reports. The report will be provided to the Supervisory Authorities upon request.

(b) Within 90 days from the effective date of this ORDER, the Bank will analyze each loan that includes capitalized interest and/or capitalized fees identified pursuant to subparagraph (a) above. For those loans, <u>and for any future loans</u>, the Bank shall not capitalize interest and/or loan origination fees unless a thorough review and analysis of current financial information has determined the borrower to be creditworthy and there is an expectation of repayment based upon a reasonably ascertainable event. The Bank shall retain documentation of such determination in the borrower's credit file. Any exception to this prohibition shall have the prior review and approval of the board of directors, which shall be documented with the supporting documentation in the board's minutes and the borrower's loan file. The Bank shall limit its use of interest reserves to the funding of the construction phase of projects that have a term which corresponds with the loan's development timeline, and shall not be renewed, replenished, or advanced further than the original timeframe needed to construct the project without the prior review and approval of the board of directors, which shall be documented with the supporting documentation in the board's minutes and the borrower's loan file. In addition, the Bank shall not renew or advance maturity dates of interest reserves, or use interest reserves for other than construction or development projects, without the prior review and approval by the board of directors, which shall be documented, with supporting documentation in the board's minutes and the borrower's credit file.

(c) For any loans with capitalized interest or capitalized fees that do not meet the criteria of subparagraph (b), such capitalized interest and capitalized fees shall be reversed or charged off in accordance with the methods permitted in the Call Report Instructions.

(d) Notwithstanding anything above to the contrary, the Bank shall not in any event add interest reserves, origination fees or accrued but unpaid interest into the unpaid balance of a loan if the loan was adversely classified in the Bank’s most recent Report of Examination by either the FDIC or the OSBC, or identified by the Bank’s internal loan review program as Substandard, Doubtful, Loss, “value impaired,” or “nonaccrual.”

13. Implementation of Independent Loan Review Program.

(a) Within 60 days of the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a review of the Bank’s loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(i) prompt identification of loans with potential credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) appropriate grading of adverse classification of loans, especially those with well-defined credit weaknesses that jeopardize repayment, so that timely action can be taken and credit losses can be minimized.

(iii) suggested action plans to reduce the Bank's risk exposure from each identified relationship;

(iv) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(v) identification of trends affecting the quality of the loan portfolio, and potential problem areas;

(vi) assessment of the overall quality of the loan portfolio;

(vii) identification of credit and collateral documentation exceptions;

(viii) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(ix) identification of loans that are not in conformance with the Bank's lending policy; and

(x) identification of loans to directors, officers, principal shareholders, and their related interests.

(b) The Bank shall submit the program to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the program, which approval shall be recorded in the minutes of the board of directors’ meeting. Thereafter, the Bank shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the board of directors, as well as documentation of the actions taken by the Bank or recommendations to the board that address identified deficiencies in specific loan relationships or the Bank’s policies, procedures, strategies, or other elements of the Bank’s lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the board of directors.

14. Maintenance of Allowance for Loan and Lease Losses.

(a) Within 10 days from the date of this ORDER, the board of directors shall make a provision which will replenish the allowance for loan and lease losses (“ALLL”) for the loans charged off as a result of the most recent examination and reflect the potential for further losses in the remaining loans or leases classified “Substandard” and “Doubtful” in the Report of Examination as well as all other loans and leases in its portfolio.

(b) Within 30 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the ALLL. The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed at least 10 days prior to the end of each quarter in order that the findings of the board may be properly reported in the Bank’s Call Reports. Such reviews shall, at a minimum, be made in accordance with the Call Report Instructions, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the appropriateness of the Bank’s ALLL, and any analysis of the Bank’s ALLL provided by the FDIC and the OSBC.

(c) A deficiency in the Bank’s ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank’s submission of its Call Report. The board of directors shall thereafter maintain an appropriate ALLL.

(d) The Bank shall submit the policy and ALLL methodology to the Supervisory Authorities for review and comment. Within

30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the policy.

15. Liability for Off-Balance Sheet Credit Exposure.

Within 30 days of the effective date of this ORDER, the Bank shall establish an “other liability account” for off-balance sheet credit exposure (e.g. contingent liabilities including unfunded loan commitments) that meet the standards under prevailing Generally Accepted Accounting Principles and Financial Institutions Letter 105-2006.

16. Revision and Implementation of Loan Policy.

(a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank’s loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Bank’s asset quality and lending functions and to prevent further deterioration. The Bank’s loan policy shall be amended, at a minimum, to address the exceptions noted in the Report of

Examination, including identified conflicts of interest and appropriate use of interest reserves.

(b) The Bank shall submit the revised loan policy to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities, and after due consideration of any recommended changes, the Bank shall approve the policy, with its approval recorded in the minutes of the board of directors' meeting. Thereafter, the Bank shall implement and fully comply with the policy.

17. Business/Strategic Plan and Profit and Budget Plan.

(a) Within 90 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop and fully implement a written three-year business/strategic plan and one-year profit and budget plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this Order. The business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days after the receipt of any comment from the Supervisory Authorities, the board of directors shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall fully implement these plans and any subsequently approved modifications.

18. Disclosure of Order to Shareholders.

Following the effective date of this ORDER, the Bank shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank’s next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank’s next shareholder meeting. The description shall fully describe the ORDER in all material respects.

19. Progress Reports Detailing Compliance with ORDER.

(a) Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within 45 days of the end of each calendar quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank’s progress toward achieving compliance with each provision of the ORDER.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and the OSBC.

This ORDER shall be effective July 15,2008.

KANSAS STATE BANKING BOARD

By: ______________________________
Mark C. Parman, Chairman
Kansas State Banking Board

By: ______________________________
J. Thomas Thull, Secretary
Kansas State Banking Board

FEDERAL DEPOSIT INSURANCE CORPORATION

Issued Pursuant to Delegated Authority

By: ______________________________

Mark S. Moylan
Deputy Regional Director
Federal Deposit Insurance Corporation
Kansas City Regional Office