

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

|                                       |   |                      |
|---------------------------------------|---|----------------------|
| <hr/>                                 | ) | <b>CONSENT ORDER</b> |
|                                       | ) |                      |
| <b>BANK OF THE PRAIRIE</b>            | ) | <b>OSBC-2010-</b>    |
| <b>OLATHE, KANSAS</b>                 | ) | <b>FDIC-10-459b</b>  |
|                                       | ) |                      |
| <b>(Insured State Nonmember Bank)</b> | ) |                      |
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The Kansas State Banking Board ("KSBB") granted a state charter to Bank of the Prairie, Olathe, Kansas ("Bank") pursuant to K.S.A. 9-1801.

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for the Bank, under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q)(3).

Based on the findings of the FDIC examination of the Bank as contained in the April 12, 2010 Report of Examination ("Report of Examination"), the FDIC and the Kansas Office of State Bank Commissioner ("OSBC") (collectively "Supervisory Authorities") determined that the requirements for an order under 12 U.S.C. § 1818(b) and Kansas state law have been satisfied.

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the

Issuance of a Consent Order" ("Stipulation"), dated August 10, 2010, that is accepted by the Supervisory Authorities. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law or regulation, to the issuance of this Consent Order ("ORDER") by the Supervisory Authorities.

Based on the above, the Supervisory Authorities each hereby order that:

**1. Assessment of Management.**

(a) From the effective date of this ORDER, the Bank shall take action to have and maintain qualified management, which shall be assessed on management's ability to:

(i) Comply with the requirements of this Order, all applicable State and Federal laws and regulations, FDIC and Federal Financial Institutions Examination Council policy statements, and the Bank's approved policies and procedures; and

(ii) Restore and thereafter maintain the Bank in a safe and sound condition, including, but not limited to, capital adequacy, asset quality, earnings, management effectiveness, liquidity, and sensitivity to market risks.

(b) Within 15 days from the effective date of this ORDER, the Board shall engage an independent third party ("Consultant") acceptable to the Supervisory Authorities, and that possesses

appropriate expertise and qualifications to analyze and assess the management needs of the Bank and the performance of the Bank's current officers.

(c) 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 under the contract or engagement letter, the fees for each significant element of the engagement, and a maximum aggregate fee;

(ii) the responsibilities of the Consultant;

(iii) an identification of the professional standards covering the work to be performed;

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

(v) the qualifications of the Consultant employee(s) who are to perform the work;

(vi) a provision for unrestricted access by the Supervisory Authorities to the Consultant's workpapers;

(vii) a certification that the Consultant is not affiliated in any manner with the Bank; and

(viii) a requirement that within 90 days of engagement the Consultant shall deliver a written report to the Board ("Consultant's Report") summarizing the Consultant's (A)

analysis of the Bank's management needs, (B) assessment of the performance of the Bank's current officers and (C) recommendations regarding any changes or additions to the Bank's officers.

(d) Within 30 days of receipt of the Consultant's Report, the Board will develop a written plan ("Management Plan") that addresses the findings of the Consultant's Report, states the actions to be taken by the Bank in response to each recommendation contained in the Consultant's Report, and establishes a time frame for completing each action. At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Consultant's Report;

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

(iii) identify the authority and responsibilities of each officer position;

(iv) present a clear and concise description of the relevant knowledge and experience required for each officer position;

(v) 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 and operate the Bank in a safe and sound manner;

(vi) identify the appropriate level of current and deferred compensation to each officer position;

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

(viii) identify and/or establish Bank committees needed to provide guidance and oversight to management;

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

(x) contain a current organizational chart that identifies all existing and proposed officer positions, and delineates lines of authority and accountability;

(xi) contain a current management succession plan;

(xii) contain a procedure to ensure compliance with section 32 of the Act, 12 U.S.C. § 1831i, when applicable to changes/additions in directors and senior executive officers of the Bank; and

(xiii) establish procedures to review and update the Management Plan at least annually from the effective date of this ORDER;

(e) A copy of the Consultant's Report and the Management Plan and any subsequent modification thereto shall be submitted to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Supervisory Authorities and after consideration of all such comments, the Board shall approve the Management Plan which approval shall be recorded in the Board's minutes. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the Board 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.

**2. Charge-off of Adversely Classified Assets.**

(a) Within 10 days from the effective date of this Order and 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 and such future reports of examination that have not been previously collected or charged off.

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

**3. Reduction of Adversely Classified Assets.**

(a) Within 90 days from the effective date of this ORDER, and 60 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 \$100,000 classified "Substandard" or "Doubtful" in the Report of Examination and such future reports 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 such adverse classification.

(b) In developing the plans mandated by this paragraph, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including sources of repayment and repayment ability, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) The plans mandated by this provision shall include, at a minimum, the following:

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

(ii) a requirement that monthly written summary progress reports be submitted to the Board;

(iii) a requirement that quarterly detailed written progress reports be submitted to the Board for review prior to preparation of the Bank's Call Reports; and

(iv) a requirement that the Board review all progress reports and record with a notation of the review in the minutes of the Board meetings at which such reports are reviewed.

(d) The Board shall approve the plans, which approval shall be recorded in the Board's minutes. Copies of the approved plans shall be provided to the Supervisory Authorities as part of the Progress Reports required below. Thereafter, a copy of the plan or portion thereof that pertains to a specific borrower shall be maintained in the borrower's credit file, and the Bank shall implement and fully comply with the plan.

**4. 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.

(b) Subparagraph (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 subparagraph (b), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or a 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 (e.g., mitigation of loss; enhance collateral protection; or greater possible loss from contract liability);

(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 conclusions and approval made pursuant to subparagraph (b) of this provision shall be made a part of the minutes of the meeting of the Board, or the committee thereof, at which the extension of credit is approved, with a copy retained in the borrower's credit file.

**5. Revision of Loan Policy.**

(a) Within 60 days from the effective date of this ORDER, the Board shall review and revise the Bank's written loan policies and procedures ("Loan Policy") to address the comments and criticisms in the Report of Examination, specifically, but not limited to, the loan administration procedures for the Bank's industrial and commercial real estate loans.

(b) Upon completion, the Bank's Loan Policy shall be approved by the Board, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the Loan Policy. A copy of the approved Loan Policy shall be provided to the Supervisory Authorities.

(c) In the event the Bank considers making a loan that would not conform with the Loan Policy, the loan shall receive prior review and approval by the Board or an appropriate committee thereof. The reason for nonconformance and the Board's or committee's review and approval shall be documented

in the minutes of the Board or committee and in the loan file for that loan.

**6. Loan Review Program.**

(a) Within 90 days of the effective date of this ORDER, the Board shall develop a written program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the written program shall provide for:

(i) prompt identification of loans with 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) identification of trends affecting the quality of the loan portfolio and potential problem areas;

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

(iv) identification of credit and collateral documentation exceptions;

(v) identification and status of any potential violations of laws, rules, or regulations with respect to the

lending function and action taken to address such potential violations;

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

(vii) identification of loans to directors, officers, principal shareholders, and their related interests; and

(viii) periodic written reports, but in no event less than quarterly, providing the information developed in (i) through (vii) above to the Board. The reports should also describe the action(s) taken by management with respect to each problem credit.

(b) The written program shall be provided to the Supervisory Authorities, and shall be approved by the Board. Such approval shall be recorded in the minutes of the Board and thereafter, the Bank shall implement the written program.

(c) Upon implementation, a copy of each report submitted to the Board, 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, as well as any resulting determinations, shall be recorded and retained in the Board's minutes.

**7. Maintenance of Allowance for Loan and Lease Losses**  
**("ALLL").**

The Board shall review the Bank's ALLL at least once each calendar quarter. That review should be completed at such time to ensure that the findings of the Board will 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 either of the Supervisory Authorities.

**8. Minimum Capital Requirements.**

(a) While this ORDER is in effect, the Bank shall have and maintain the following minimum capital ratios (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate ALLL:

(i) Tier 1 Leverage Capital Ratio at least equal to 9 percent; and

(ii) Total Risk-Based Capital Ratio at least equal to 12 percent.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank

shall immediately notify the Supervisory Authorities and within 30 days shall: (1) increase capital in an amount sufficient to comply with subparagraph (a) of this provision, or (2) submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth above, as well as a contingency plan in the event the primary sources of capital are not available. Thereafter at the next Board meeting, the Board shall approve the written plan and record such approval in its minutes, and the Bank shall implement and fully comply with the written plan.

(c) Any increase in Tier 1 leverage capital necessary to meet the requirements of this section may not be accomplished through a deduction from the ALLL.

**9. Restrictions on Dividends.**

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

**10. Brokered Deposits.**

From the effective date of this ORDER, the Bank shall not accept, increase, renew, or rollover any brokered deposits, as

defined in 12 C.F.R. § 337.6(a)(2), without the prior written approval of the FDIC.

**11. Liquidity.**

Within 60 days from the effective date of this ORDER, the Board shall review the Bank's liquidity and contingency funding policies and plans, and develop or amend each as necessary to address the comments and criticisms in the Report of Examination. The policies shall incorporate the guidance contained in Financial Institution Letters 84-2008, dated August 26, 2008, entitled *Liquidity Risk Management* and 13-2010, dated April 5, 2010, entitled *Funding and Liquidity Risk Management*. Thereafter, the Bank shall implement and fully comply with the policies and plans.

**12. Business/Strategic Plan and Profit and Budget Plan.**

(a) Within 60 days of the effective date of this ORDER, and within 30 days from the first day in each calendar year thereafter, the Board shall develop 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.

(b) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(c) The business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be approved by the Board, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the plans. Upon approval, a copy of the business/strategic plan and profit and budget plan, and any modifications thereto, shall be provided to the Supervisory Authorities.

### **13. Correction of Technical Exceptions.**

(a) Within 120 days from the effective date of this ORDER, and within 90 days after receipt of any future report of examination of the Bank from the FDIC and/or OSBC, the Bank shall correct the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" pages of the Report of Examination, and such future reports of examinations.

(b) Progress reports detailing each outstanding exception and the Bank's plan for corrective action shall be submitted to the Board for review during each regularly scheduled meeting. The report shall be made part of, and the review noted, in the Board's minutes.

(c) For any exception that cannot be corrected, the Bank shall document to reason for such inability in the borrower's credit file, and the Board shall review and include a copy of the documentation in the Board's minutes.

(d) From the effective date of this ORDER, the Bank shall ensure that the necessary supporting documentation is obtained and evaluated before any credit or loan is extended.

**14. Elimination and/or Correction of Violations of Laws and Rules and Regulations.**

(a) Within 120 days after the effective date of this ORDER, and within 90 days after receipt of any future report of examination of the Bank by the FDIC and/or OSBC, the Bank, consistent with sound banking practices, shall eliminate and/or correct all violations of laws and rules and regulations cited in the Report of Examination, or such future reports of examinations.

(b) The Bank shall document any violation that cannot be corrected, and why, for review by the Board at its next monthly

meeting. The Board's review, discussion and any action upon the uncorrected violation shall be recorded in its minutes.

**15. Disclosure of ORDER to Sole Shareholder.**

Following the effective date of this ORDER, the Bank shall provide a copy or otherwise furnish a description of this ORDER to its sole shareholder, (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.

**16. Progress Reports Detailing Compliance with ORDER.**

(a) Within 30 days of the end of the first calendar quarter following the effective date of this ORDER, and within 30 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, including at a minimum:

(i) description of the identified weaknesses and deficiencies;

(ii) provision(s) of the ORDER pertaining to each weakness or deficiency;

(iii) actions taken or in-process for addressing each deficiency;

(iv) results of the corrective actions taken;

(v) the Bank's status of compliance with each provision of the ORDER; and

(vi) appropriate supporting documentation.

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

#### **MISCELLANEOUS**

The provisions of this ORDER shall not bar, estop or otherwise prevent the FDIC, the KSBB, or the OSBC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

The KSBB hereby expressly delegates the authority to the OSBC to monitor and determine compliance with the ORDER and to pursue adequate remedies for any areas of noncompliance.

Nothing herein shall prevent the FDIC or the OSBC from conducting on-site reviews and or examinations of the Bank, its

affiliates, agents, servicers, and other institution-affiliated parties at any time to monitor compliance with this ORDER.

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 KSBB.

This ORDER shall be effective the 26<sup>th</sup> day of August, 2010.

KANSAS STATE BANKING BOARD

By: /S/  
James O'Sullivan, Chairman  
Kansas State Banking Board

By: /S/  
Judi M. Stork, Acting State Bank Commissioner  
And Secretary  
Kansas State Banking Board

FEDERAL DEPOSIT INSURANCE CORPORATION  
Issued Pursuant to Delegated Authority

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