

FEDERAL DEPOSIT INSURANCE CORPORATION  
 WASHINGTON, D.C.  
 and  
 OKLAHOMA STATE BANKING DEPARTMENT  
 OKLAHOMA CITY, OKLAHOMA

	)	
In the Matter of	)	CONSENT ORDER
	)	
THE FIRST STATE BANK	)	
RYAN, OKLAHOMA	)	FDIC-11-608b
	)	
(Insured State Nonmember Bank)	)	OSBD-11-C&D-1
	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for The First State Bank, Ryan, Oklahoma (“Bank”), under 12 U.S.C. § 1813(q).

The Oklahoma State Banking Department (“State”) is the appropriate state banking agency for the Bank, under the Oklahoma Banking Code, Oklahoma Statute Title 6.

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 January 9, 2012, that is accepted by the FDIC and the State. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices and violations of law or regulation relating to weaknesses in capital and management, to the issuance of this CONSENT ORDER (“ORDER”) by the FDIC and the State.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 204(B) of the Oklahoma Banking Code, Oklahoma Statute Title 6 § 204(B) and the provisions of the Oklahoma Administrative Procedures Act, Oklahoma Statute Title 75 § 250 et seq., have been satisfied, the FDIC and the State hereby order that:

**ALLOWANCE FOR LOAN AND LEASE LOSSES  
AND AMENDED CALL REPORTS**

1. (a) If not already made, within 15 days after the effective date of this ORDER, the Bank shall make provisions to its Allowance for Loan and Lease Losses (“ALLL”) in an amount equal to those loans required to be charged off by this ORDER in the amount of at least \$1,900,000. The allowance shall be funded by charges to current operating income or to prior income as determined appropriate by the Bank’s auditor and Board under generally accepted accounting standards and ALLL supervisory guidance, and properly reflected for any such period on Consolidated Reports of Condition and Income as amended, filed with the FDIC as required under 1(b) below. After the initial provision is made, the Bank shall thereafter maintain a reasonable ALLL. Prior to the end of each calendar quarter, the Bank’s Board shall review the adequacy of the Bank’s ALLL. Such reviews shall include, at a minimum, the Bank’s loan loss experience, an estimate of potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank’s Board meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL.

(b) Within 45 days after the effective date of this ORDER, the Bank shall review Consolidated Reports of Condition and Income filed with the FDIC on or after December 31, 2010, and amend said reports if necessary to accurately reflect the financial condition of the Bank as of the date of each such report. In particular, such reports shall contain a reasonable ALLL. Reports filed after the effective date of this ORDER shall also accurately reflect the financial condition of the Bank as of the reporting date.

(c) Within 45 days after the effective date of this ORDER, the Bank must use Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Numbers 450 and 310 for determining the Bank’s ALLL reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank’s loan portfolio. The directorate must document with written reasons any decision not to require provisions for loan losses in the Bank’s Board minutes.

**RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS**

2. (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 whose existing credit has been classified Loss by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower, nor shall they prohibit the Bank from making advances authorized by loan documents or applicable law to protect collateral securing credit to any such borrower.

(b) 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 whose extension of credit is classified Doubtful and/or Substandard by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless a majority of the Bank’s Board has signed a detailed written statement giving reasons why failure to extend such credit would be

detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's Board meeting.

### **CAPITAL INCREASE AND MAINTENANCE**

3. (a) Within 90 days after the effective date of this ORDER, the Bank shall increase its Tier 1 Capital by no less than an amount to maintain its Tier 1 Leverage Capital ratio equal to or greater than 8.50 percent of the Bank's Average Total Assets; its Tier 1 Risk-Based Capital ratio equal to or greater than 10 percent of the Bank's Total Risk-Weighted Assets; and its Total Risk-Based Capital ratio equal to or greater than 12 percent of the Bank's Total Risk Weighted Assets. Any increase in the Bank's Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

- (1) The sale of securities in the form of common stock; or
- (2) The direct contribution of cash subsequent to August 8, 2011, by the directors and shareholders of the Bank or by the Bank's holding company; or
- (3) Receipt of an income tax refund or the capitalization subsequent to August 8, 2011, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or
- (4) Any other method approved by the Regional Director of the FDIC's Dallas Regional Office ("Regional Director") and the Commissioner of the Oklahoma State Banking Department ("Commissioner").

(b) If any such capital ratios are less than the percentages required by this ORDER, as determined as of the date of any Consolidated Reports of Condition and Income or at an examination by the FDIC or the State, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director and the Commissioner, present to the Regional Director and the Commissioner a plan to increase the Bank's Tier 1 Capital ("Capital Plan") or to take other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Commissioner respond to the Capital Plan, the Bank's Board shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Commissioner.

(c) Thereafter, the Bank shall immediately initiate measures detailed in the Capital Plan, to the extent such measures have not previously been initiated, to increase the Bank's Tier 1 Capital by an amount sufficient to bring all the capital ratios to the percentages required by this ORDER within 30 days after the Regional Director and the Commissioner respond to the Capital Plan.

(d) If all or part of the increase in Tier 1 Capital required by this ORDER is to be accomplished by the sale of new securities, the Bank's Board shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the

plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Tier 1 Capital is to be provided by the sale of non-cumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Commissioner for prior approval.

(e) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank's securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(f) The Capital Plan must include a contingency plan ("Contingency Plan") that shall include a plan to sell or merge the Bank in the event that the Bank:

- (1) Fails to maintain the minimum capital ratios required by the ORDER;
- (2) Fails to submit an acceptable Capital Plan; or

- (3) Fails to implement or adhere to a Capital Plan to which no written objection was provided by the Regional Director and the Commissioner.

The Bank shall be required to implement the Contingency Plan only upon written notice from the Regional Director and the Commissioner.

(g) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325, App. A.

(h) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

#### **CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION**

4. (a) Within 15 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the State as a result of its examination of the Bank as of August 8, 2011. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 30 days after the effective date of this ORDER, the Bank shall submit a written plan to reduce the remaining assets classified Doubtful and Substandard as of August 8, 2011 ("Classified Asset Plan") to the Regional Director and the Commissioner for review. The Classified Asset Plan shall address each asset so classified with a balance of

\$75,000 or greater. The Classified Asset Plan shall include any classified assets identified subsequent to the August 8, 2011 examination by the Bank internally or by the FDIC or the State in a subsequent visitation or examination. For each identified asset, the Classified Asset Plan should provide the following information:

- (1) The name under which the asset is carried on the books of the Bank;
- (2) Type of asset;
- (3) Actions to be taken in order to reduce the classified asset; and
- (4) Time frames for accomplishing the proposed actions.

The plan shall also include, at a minimum:

- (1) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and
- (2) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Bank's plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the plan shall contain a provision requiring the submission of monthly progress reports to the Bank's Board and a provision mandating a review by the Bank's Board.

(c) The Bank shall present the plan to the Regional Director and the Commissioner for review. Within 30 days after the Regional Director's and the Commissioner's response, the plan, including any requested modifications or amendments shall be adopted by the Bank's Board, which approval shall be recorded in the minutes of the Bank's Board meeting.



The Bank shall then immediately initiate measures detailed in the plan to the extent such measures have not been initiated.

(d) For purposes of the plan, the reduction of adversely classified assets as of August 8, 2011 shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's ALLL and may be accomplished by:

- (1) Charge-off;
- (2) Collection;
- (3) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; or
- (4) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future visitation or examination conducted by the FDIC or the State. The Bank shall also update the Classified Asset Plan as needed to reflect any assets subsequently classified as Doubtful or Substandard by the Bank internally or by the FDIC or the State.

#### **COMPLIANCE COMMITTEE**

5. Within 30 days after the effective date of this ORDER, the Bank's Board shall establish a subcommittee of the board of directors charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. The subcommittee shall report monthly to the entire Bank's Board, and a copy of the report and any discussion related to the report or the ORDER shall be included in the minutes of the Bank's Board meeting. Nothing

contained herein shall diminish the responsibility of the entire Bank's Board to ensure compliance with the provisions of this ORDER.

### **REDUCTION OF DELINQUENCIES**

6. (a) Within 30 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Commissioner for review and comment a written plan for the reduction and collection of delinquent loans. Such plan shall include, but not be limited to, provisions which:

- (1) Prohibit the extension of credit for the payment of interest;
- (2) Delineate areas of responsibility for implementing and monitoring the Bank's collection policies;
- (3) Establish specific collection procedures to be instituted at various stages of a borrower's delinquency;
- (4) Establish dollar levels to which the Bank shall reduce delinquencies within 90 days; and
- (5) Provide for the submission of monthly written progress reports to the Bank's Board for review and notation in the meeting minutes of the Bank's Board.

(b) For purposes of the plan, "reduce" means to:

- (1) Charge-off; or
- (2) Collect.

(c) After the Regional Director and the Commissioner have responded to the plan, the Bank's Board shall adopt the plan as amended or modified by the Regional Director

and the Commissioner. The plan will be implemented immediately to the extent that the provisions of the plan are not already in effect at the Bank.

### **DIVIDEND RESTRICTION**

7. While this ORDER is in effect, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Commissioner.

### **GROWTH PLAN**

8. While this ORDER is in effect, the Bank shall not increase its Total Assets by more than 5 percent during any consecutive 12-month period without providing, at least 30 days prior to its implementation, a growth plan to the Regional Director and the Commissioner. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director and the Commissioner.

### **INFORMATION TECHNOLOGY**

9. (a) Within 60 days after the effective date of this ORDER, the Bank shall develop and implement an IT audit program that provides comprehensive and continuous audit coverage, the scope of which shall be based on a comprehensive risk assessment. The audit program shall include coverage of the areas recommended in the Audit Booklet of Federal Financial Institutions Examination Council's Information Technology Examination Handbook dated August 2003, and be performed by an auditor with experience and expertise in IT. Audit reports shall be presented to the Bank's Board for review with the review noted in the Bank's

Board minutes.

(b) Within 60 days after the effective date of this ORDER, the Bank shall develop an Information Security Program that meets the Guidelines Establishing Standards for Safeguarding Customer Information as described in Part 364, Appendix B, of the FDIC's Rules and Regulations, 12 C.F.R. Part 364, App. B. The Bank's Board shall also appoint an Information Security Officer responsible for implementation and ongoing maintenance of the program, which shall include customer information and vendor risk assessments, strategies for mitigating risks, appropriate information security controls, employee training, regular testing of controls, and annual review of compliance by the Bank's Board.

(c) Within 60 days after the effective date of this ORDER, the Bank shall develop adequate written policies and procedures covering all facets of information security, operations, and development and/or acquisition of IT. Topics to be addressed shall be consistent with the Federal Financial Institutions Examination Council's Information Technology Examination Handbooks on Information Security, Operations, and Development and Acquisition. Policies shall be communicated to appropriate personnel with their acknowledgement recorded stating that they will abide by all policies. Annually, these policies shall be reviewed by management for necessary modifications and presented to the Bank's Board for approval.

(d) Within 60 days after the effective date of this ORDER, the Bank shall develop Disaster Recovery and Business Continuity Plans following the format detailed in the Federal Financial Institutions Examination Council's Business Continuity Planning Information Technology Examination Handbook. The Bank's Board shall approve the plans and ensure that they are communicated to appropriate personnel. A full and complete test of the plans shall be

conducted within 60 days of the Board's approval date, with the testing scope and results documented and reported to the Bank's Board. The plan shall be tested annually thereafter.

(e) Within sixty 60 days from the effective date of this ORDER, the Bank shall implement an effective Red Flag Identify Theft Program that meets the criteria of 12 C.F.R. 334.90(f) which states the Bank must consider the guidelines in Appendix J of the regulation and include in its Program those guidelines that are appropriate. The Bank's Program must require annual reports to the Board, annual audits of Red Flag activity, and annual training for employees.

(f) Within ninety days 90 from the effective date of this ORDER, the Board shall have a network vulnerability test performed to find system weaknesses. The test shall be performed by a well qualified party capable of identifying threats to all network security infrastructure and processes, including data vulnerabilities, hardware and software vulnerabilities, and transmission vulnerabilities. The Board must review the results of the vulnerability test and promptly remediate all critical vulnerabilities.

(g) Within 60 days after the effective date of this ORDER, the Bank's Board shall ensure that all other deficiencies cited in the IT Examination Report are corrected, or document its best efforts to ensure that such deficiencies are corrected.

### **INTERNAL AUDIT CONTROL PROGRAM**

10. Within 60 days after the effective date of this ORDER, the Bank's Board shall revise its internal control program to address the internal control deficiencies detailed in the Report of Examination.

## **LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS**

11. (a) Within 30 days after the effective date of this ORDER, the Bank's Board shall establish a loan review system or loan review committee to periodically review and oversee the Bank's loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank's Board at each Board meeting. This report shall include the following information:

- (1) The overall quality of the loan portfolio;
- (2) The identification, by type, rating, and amount, of each problem or delinquent loan;
- (3) The identification of all loans not in conformance with the Bank's lending policy; and
- (4) The identification of all loans to officers, directors, principal shareholders or their related interests.

## **LOAN POLICY**

12. (a) Within 60 days after the effective date of this ORDER, and annually thereafter, the Bank's Board shall review the Bank's loan policy and procedures for effectiveness and, based upon this review, shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration. The revised written loan policy shall be submitted to the Regional Director and the Commissioner for review and comment upon its completion.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall include provisions:

- (1) Designating the Bank's normal trade area;
- (2) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;
- (3) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, and cash flow projections, and shall be maintained throughout the term of the loan;
- (4) Requiring loan committee review and monitoring of the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" in the Report of Examination;
- (5) Requiring the establishment and maintenance of a loan grading system and internal loan watch list;
- (6) Requiring a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

- (7) Prohibiting the capitalization of interest or loan-related expenses unless the Bank's Board formally approves such extensions of credit as being in the best interest of the Bank and provides detailed written support of its position in the Bank's Board meeting minutes;
- (8) Requiring that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. Part 215 and Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3.
- (9) Requiring a non-accrual policy in accordance with the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income;
- (10) Requiring accurate reporting of past due loans to the Bank's Board on at least a monthly basis;
- (11) Addressing concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;
- (12) Establishing standards for extending unsecured credit;



- (13) Incorporating collateral valuation requirements, including:
  - a. Maximum loan-to-collateral-value limitations;
  - b. A requirement that the valuation be completed prior to a commitment to lend funds;
  - c. A requirement for periodic updating of valuations; and
  - d. A requirement that the source of valuations be documented in Bank records;
- (14) Establishing standards for initiating collection efforts;
- (15) Establishing guidelines for timely recognition of loss through charge-off;
- (16) Prohibiting the extension of a maturity date, advancement of additional credit or renewal of a loan to a borrower whose obligations to the Bank were classified “Substandard,” “Doubtful,” or “Loss,” whether in whole or in part, as of August 8, 2011, or by the FDIC or State in a subsequent Report of Examination, without the full collection in cash of accrued and unpaid interest, unless the loans are well secured and/or are supported by current and complete financial information, and the renewal or extension has first been approved in writing by a majority of the Bank’s Board;
- (17) Establishing officer lending limits and limitations on the aggregate level of credit to any one borrower which can be granted without the prior approval of the Bank’s Board or loan committee;

- (18) Requiring that collateral appraisals be completed prior to the making of secured extensions of credit, and that periodic collateral valuations be performed for all secured loans listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any Report of Examination of the Bank by the FDIC or the State;
- (19) Prohibiting the issuance of standby letters of credit unless the letters of credit are well secured and/or are supported by current and complete financial information;
- (20) Prohibiting the payment of any overdraft in excess of \$1,000 without the prior written approval of a majority of the Bank's Board;
- (21) Establishing limitations on the maximum volume of loans in relation to total assets; and
- (22) Establishing review and monitoring procedures to ensure compliance with FDIC's regulation on appraisals pursuant to Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323.

(c) The Bank shall submit the foregoing policies to the Regional Director and the Commissioner for comment. After the Regional Director and the Commissioner have responded to the policies, the Bank's Board shall adopt the policies as amended or modified by the Regional Director and the Commissioner. The policies will be implemented immediately to the extent that they are not already in effect at the Bank.

## **MANAGEMENT – BOARD SUPERVISION**

13. Within 30 days after the effective date of this ORDER, the Bank's Board shall increase its participation in the affairs of the Bank by assuming full responsibility for the approval of the Bank's policies and objectives and for the supervision of the Bank's management, including all the Bank's activities. The Board's participation in the Bank's affairs shall include, at a minimum, monthly meetings in which the following areas shall be reviewed and approved by the Bank's Board: reports of income and expenses; new, overdue, renewed, insider, charged-off, delinquent, nonaccrued, and recovered loans; investment activities; operating policies; and individual committee actions. The Bank's Board minutes shall document the Board's reviews and approvals, including the names of any dissenting directors.

## **MANAGEMENT**

14. (a) The Bank shall have and retain qualified management. Each member of management shall possess qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management personnel shall be evaluated on their ability to:

- (1) Comply with the requirements of the ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including improving the Bank's asset quality, capital adequacy, earnings, management effectiveness, liquidity, and its sensitivity to market risk.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in management. The notification must include the name(s) and background(s) of any replacement personnel and must be provided 30 days prior to the individual(s) assuming the new position(s).

### **MANAGEMENT – SPECIFIC POSITIONS**

15. (a) Within 15 days after the effective date of this ORDER, the Board (or a committee of the Board) shall diligently seek to obtain qualified management for the Bank and shall document its efforts to obtain such qualified management. In the event qualified management has not been obtained within 90 days after the effective date of this ORDER, the Board shall retain a professional firm to assist in obtaining qualified management. Management that is a part of any acquisition of the Bank approved by state and federal banking regulators shall be deemed to be qualified. At a minimum, such management shall include:

- (1) A chief executive officer with a demonstrated ability in managing a bank of comparable size and shall have prior experience in upgrading a low quality loan portfolio;
- (2) A lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and
- (3) Requirements (1) and (2) may be met by the same person or separate persons. Such person(s) shall be provided the necessary written authority to implement the provisions of this ORDER.

The qualifications of management shall be assessed on its ability to:

- (1) Comply with the requirements of this ORDER;
- (2) Operate the Bank in a safe and sound manner;
- (3) Comply with applicable laws and regulations; and
- (4) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) While this ORDER is in effect, the Bank shall notify the Regional Director and the Commissioner in writing of any changes in any of the Bank's directors or Senior Executive Officers. For purposes of this ORDER, "Senior Executive Officer" is defined as in Section 303.101(b) of the FDIC's Rules and Regulations, 12 C.F.R. § 303.101(b). Prior to the addition of any individual to the Bank's Board or the employment of any individual as a Senior Executive Officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. §§ 303.100 - 303.103.

### **EXTERNAL AUDITS**

16. (a) Within 60 days after the effective date of this ORDER, the Bank's Board shall review the Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations (October 15, 1999). This review and the changes made by the Bank in its audit program as a result of the review shall be recorded in the applicable Board minutes and forwarded to the Regional Director and the Commissioner for review and comment.

(b) Within 30 days after the receipt of any comment from the Regional

Director and the Commissioner, and after the adoption of any recommended changes, the Bank shall continue to implement this policy. The adoption of any such comments and changes shall be recorded in the minutes of the Bank's Board meeting.

### **INTEREST RATE RISK**

17. (a) Within 90 days after the effective date of the ORDER, the Bank shall develop, adopt, and implement an interest rate risk policy and procedures that shall include, at a minimum:

- (1) Measures designed to control the nature and amount of interest rate risk the Bank takes including those that specify risk limits and defines lines of responsibilities and authority for managing risk;
- (2) A system for identifying and measuring interest rate risk;
- (3) A system for monitoring and reporting risk exposures; and
- (4) A system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

### **PROFIT PLAN**

18. (a) Within the first 30 days of each calendar year after the effective date of this ORDER, the Bank's Board shall develop a written profit plan consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The written profit plan shall include, at a minimum:

- (1) Identification of the major areas in, and means by, which the Board will seek to improve the Bank's operating performance;

- (2) Realistic and comprehensive budgets;
- (3) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and
- (4) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(b) Such written profit plan and any subsequent modification thereto shall be submitted to the Regional Director and the Commissioner for review and comment. Within 15 days after the receipt of any comment from the Regional Director and the Commissioner, the Bank's Board shall approve the written profit plan, which approval shall be recorded in the meeting minutes of the Bank's Board. Thereafter, the Bank, its directors, officers, and employees shall follow the written profit plan and/or any subsequent modification.

### **TECHNICAL EXCEPTIONS**

19. (a) Within 45 days after the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the Report of Examination as of August 8, 2011. Where efforts are unsuccessful, the Bank shall document the loan file to memorialize the corrective efforts attempted.

(b) Within 45 days after the effective date of this ORDER, the Bank shall implement a system of monitoring and correcting loan documentation exceptions identified either by the Bank internally or by the FDIC or the State in subsequent visitations or examinations to reduce the occurrence of such exceptions in the future.

### **CORRECTION OF VIOLATIONS**

20. (a) Within 60 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

(b) Within 60 days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

(c) Within 60 days after the effective date of this ORDER, the Bank shall address any contraventions of policy noted in the Report of Examination.

### **TRAINING**

21. Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt and implement a revised written plan (“Compliance Plan”) for the continued administration of the Bank’s Bank Secrecy Act (“BSA”) Compliance Program and the Bank’s Customer Identification Program (“CIP”) designed to, among other things, ensure and maintain compliance with the BSA and its implementing rules and regulations. The Bank shall submit the revised Compliance Plan to the Regional Director and the Commissioner for review and comment. Upon receipt of comments from the Regional Director and the Commissioner, if any, the Bank’s Board shall review and approve the revised Compliance Plan. The review and approval of the revised Compliance Plan shall be recorded in the minutes of the Bank’s Board meeting. Thereafter, the Bank shall implement the revised Compliance Plan.

At a minimum, the revised Compliance Plan shall provide an effective training program (“Training Program”) for management and staff on all relevant aspects of laws, regulations, and Bank policies and procedures relating to the Bank’s Compliance Plan. This training shall ensure that all appropriate personnel are aware of, and can comply with, the requirements of the BSA



and its implementing rules and regulations, including the currency and monetary instruments reporting requirements and the reporting requirements associated with Suspicious Activity Reports, as well as all applicable Office of Foreign Assets Control provisions. The Training Program shall also cover:

- (a) The Bank's BSA/Anti-Money Laundering policies and procedures, and new rules and requirements as they arise;
- (b) A requirement that the Board will fully document the training of each employee, including the designated BSA Compliance Officer; and
- (c) A requirement that training shall be conducted no less frequently than annually.

### **BUSINESS PLAN**

22. While this ORDER is in effect, the Bank shall not enter into any new line of business without the prior written consent of the Regional Director and the Commissioner.

### **SHAREHOLDER NOTIFICATION**

23. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) 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. The description and any accompanying communication, statement, or notice shall be sent to the FDIC Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination

to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

### **PROGRESS REPORTS**

24. Within 30 days after the end of the first calendar quarter following the effective date of this ORDER, and within 30 days after the end of each successive calendar quarter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this ORDER and the results thereof. Such reports may be discontinued when the corrections required by the ORDER have been accomplished and the Regional Director and the Commissioner have released the Bank in writing from making additional reports.

The provisions of this ORDER shall not bar, stop, or otherwise prevent the FDIC, the State, 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.

This ORDER shall be effective on the date of issuance.

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 State.

Issued pursuant to delegated authority this 10th day of January 2012.

/s/  
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Kristie K. Elmquist  
Regional Director  
Dallas Region  
Division of Risk Management Supervision  
Federal Deposit Insurance Corporation

/s/  
\_\_\_\_\_  
Mick Thompson  
Commissioner  
Oklahoma State Banking Department