

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

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**In the Matter of:** )  
Conway Bank, National Association ) AA-WE-11-26  
Conway Springs, Kansas )

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**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over the Conway Bank, National Association, Conway Springs, Kansas (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated March 22, 2011 that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

**ARTICLE I**

**COMPLIANCE COMMITTEE**

(1) Within five (5) days of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors, a majority of which shall not be employees or controlling shareholders of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

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

(3) By no later than March 31, 2011, and by the end of every calendar month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Order to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Order shall be forwarded to the:

Assistant Deputy Comptroller  
Wichita Field Office  
3450 North Rock Road, Suite 505  
Wichita, Kansas 67226

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

## **ARTICLE II**

### **CHIEF LENDING OFFICER**

(1) Within ninety (90) days of this Order, the Board shall ensure that the Bank has competent management and staff in place on a full-time basis to carry out the Board's policies,

ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within sixty (60) days of this Order, the Board shall take the necessary steps to hire a permanent full-time dedicated Chief Lending Officer vested with sufficient executive authority to develop and implement appropriate credit risk management policies, procedures, and systems to ensure the Bank's loan portfolio is managed in a safe and sound manner and attain compliance with the credit-related articles of this Order. The person appointed to such position shall be vested with sufficient knowledge, skills, and abilities, including but not limited to, the technical expertise and the leadership skills, necessary to manage the Bank accordingly. In the event that the Chief Lending Officer position of the Bank becomes vacant, the Board shall take the necessary steps to identify a suitable candidate to fill the vacancy within sixty (60) days of receiving notice of such vacancy.

(3) Prior to the appointment or employment of the Chief Lending Officer, or entering into any contract with any person for this position, the Board shall submit the names and qualifications of the individual and the proposed terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, and shall include the following information:

- (i) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the *Comptroller's Corporate Manual*, together with a legible fingerprint card for the proposed individual;
- (ii) a written statement of the Board's reasons for selecting the proposed individual; and
- (iii) a written description of the proposed duties and responsibilities.

(4) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement.

(5) If the Board is unable to appoint a qualified candidate within the timeframe set forth above, the Board shall provide documentation of its efforts to locate such a candidate to the Assistant Deputy Comptroller. Thereafter, the Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

(6) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

### **ARTICLE III**

#### **CAPITAL AND STRATEGIC PLAN**

(1) By no later than March 31, 2011, the Bank shall achieve and thereafter maintain at all times, the following minimum capital ratios:

(a) tier 1 capital at least equal to nine percent (9%) of adjusted total assets;  
and

(b) tier 1 capital at least equal to twelve percent (12%) of risk-weighted assets.

(2) For purposes of this Article, “tier 1 capital,” “adjusted total assets,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 3.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

- (4) Effective immediately, the Bank shall only declare dividends:
- (a) when the Bank is in compliance with the Bank's Three-Year Plan as described below;
  - (b) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (c) with the prior written determination of no supervisory objection of the Assistant Deputy Comptroller.

(5) Effective as of the date of this agreement, subject to a prior written determination of no supervisory objection, the Bank may increase its total loans above the amount reported in the Bank's Call Report as of December 31, 2010 (the amount on schedule RC-C Part I, line 12) by a maximum of five percent (5%) per annum, measured pro-rata. In the event that the Bank receives a prior written determination of no supervisory objection allowing it to grow by a maximum of five percent (5%) per annum, for all periods beginning January 1, 2011, the growth shall be measured against the amount reported in the Bank's Call Report as of the previous December 31<sup>st</sup> (the amount on schedule RC-C Part I, line 12) (*e.g.*, for calendar year 2011, the Bank may grow its total loans by a maximum of five percent (5%) above the amount reported in its Call Report as of December 31, 2011).

(6) Within ninety (90) days of this Order, the Board shall develop a written capital and strategic plan for the Bank covering at least the next three years (hereafter the "Bank's Three-Year Plan"), complete with specific timeframes that incorporate the strategic and other requirements of this Article. A copy of the Bank's Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(7) The Bank's Three-Year Plan shall establish objectives and projections for the Bank's overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, product line

development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

- (a) an assessment of the Bank's present and future operating environment;
- (b) the development of strategic goals and quantifiable measures with specific implementation dates to ensure the Bank attains sustained earnings to support capital and liquidity;
- (c) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed pursuant to this Article;
- (d) specific plans to establish responsibilities and accountability for the capital and strategic planning process, new products, proposed changes in the Bank's operating environment, reduction of problem assets, and maintenance of adequate liquidity;
- (e) specific plans to hire and retain appropriate present and future management and staff for the next thirty-six months, including but not limited to, a qualified Chief Lending Officer and lending staff with skills in collections, problem loan workouts, and credit risk management;
- (f) specific plans to recruit and retain appropriate present and future directors, to include a director education program to ensure appropriate Board of Directors banking knowledge;

- (g) control systems to identify and reduce risk to earnings, capital, and liquidity, and risks associated with any proposed changes in the Bank's operating environment;
- (h) specific plans for the maintenance of adequate capital as required by Paragraph (1) above;
- (i) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (4) of this Article;
- (j) projections for capital and liquidity requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (k) projections of the sources and timing of additional capital, including support from the Bank's holding company, to meet the Bank's current and future needs;
- (l) contingency plans that identify alternative methods should the capital primary sources not be available;
- (m) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years that shall address or include consideration of the requirements of this Article;
- (n) provisions for plan updates and review by the Board on an annual basis, or more frequently if necessary; and
- (o) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

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

(9) If the Bank fails to submit an acceptable Three-Year Plan as required by this Article, fails to implement or adhere to a Three-Year Plan to which the Assistant Deputy Comptroller has taken no supervisory objection pursuant to Paragraph (8) of this Article, or fails to achieve and maintain the minimum capital ratios as required by Paragraph (1) of this Article, then, in the sole discretion of the Assistant Deputy Comptroller and within thirty (30) days of receiving written notice from the OCC of such fact, the Bank shall develop and submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a Disposition Plan to either: (i) sell or merge the Bank, or (ii) liquidate the Bank in conformance with 12 U.S.C. § 181.

#### **ARTICLE IV**

##### **LOAN PORTFOLIO MANAGEMENT**

(1) Effective as of the date of this Order, the Board shall ensure that all lending officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(2) Within ninety (90) days of this Order, the Board shall review and revise the Bank's written loan policy. In reviewing the policy, the Board shall refer to the "Loan Portfolio Management" booklet of the Comptroller's Handbook. The loan policy shall incorporate, but not necessarily be limited to, the following:

- (a) a provision that current and satisfactory credit information will be obtained on each borrower and guarantor, and a description of the types of credit information required from borrowers and guarantors, including (but



- not limited to) annual audited statements, interim financial statements, personal financial statements, and tax returns with supporting schedules;
- (b) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and validating current credit information about the borrower and any guarantor sufficient to fully assess and analyze the borrower's and guarantor's cash flow, debt service requirements, contingent liabilities, and global liquidity condition, and only after the credit officer prepares a documented credit analysis;
  - (c) procedures that require any extension of credit (new, maturity extension, or renewal) is made only after obtaining and documenting the current valuation of any supporting collateral, perfecting and verifying the Bank's lien position, and that reasonable limits are established on credit advances against collateral, based on a consideration of (but not limited to) a realistic assessment of the value of collateral, the ratio of loan to value, and overall debt service requirements;
  - (d) procedures that require an annual loan memo on all commercial, commercial real estate, and agricultural credits equal to or exceeding two hundred thousand dollars (\$200,000) to include detailed analyses of primary and secondary sources of repayment, collateral values, and trends in liquidity, net worth and cash flow;
  - (e) procedures to strengthen credit underwriting and analysis that require at a minimum multi-factor stress testing and/or sensitivity analysis for significant loan relationships to quantify the impact of changing economic conditions on asset quality, earnings, and capital;

- (f) procedures designed to aggregate, track, analyze and eliminate credit, collateral, and policy exceptions for all loans to include, at a minimum:
  - (i) monthly Board monitoring of exception reports that track aggregate number and dollar amount of loans with material exceptions by type of loan and loan officer; and
  - (ii) accountability by the lending staff for such exceptions that, at a minimum, considers such exceptions in the periodic performance reviews and compensation of such lending staff;
- (g) requirements for independent collateral inspections performed by qualified individuals exclusive of the assigned loan officer;
- (h) guidelines addressing participations of credit consistent with requirements set forth in Banking Circular 181 (Revised);
- (i) guidelines ensuring appraisals and evaluations are obtained in accordance with the requirements of 12 C.F.R. Part 34;
- (j) guidelines for periodic review of the Bank's adherence to the revised loan policy; and
- (k) guidelines for policy updates and review by the Board on a annual basis, or more frequently if necessary.

(3) Upon completion, the Board shall provide a copy of the Bank's revised written loan policy to the Assistant Deputy Comptroller for review. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's loan policy.

(4) Within ninety (90) days of this Order, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to, systems and procedures that:

- (a) ensure that the Bank does not grant, extend, renew, modify or restructure any loan or other extension of credit, or purchase any loan participation, equal to or exceeding two hundred thousand dollars (\$200,000) without:
  - (i) documenting the specific reason or purpose for the extension of credit;
  - (ii) identifying the expected source of repayment in writing;
  - (iii) structuring the repayment terms to coincide with the expected source of repayment and the useful life of the collateral;
  - (iv) obtaining current and satisfactory credit information, including performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources, including global cash flow analysis, evaluation of contingent liabilities and verification of liquid assets, where appropriate;
  - (v) determining and documenting whether the loan complies with the Bank's Loan Policy and if it does not comply, providing identification of the exception and ample justification to support waiving the policy exception;
  - (vi) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;

- (vii) providing an accurate risk assessment grade and proper accrual status for each credit;
  - (viii) obtaining an appraisal or evaluation as appropriate in accordance with the requirements of 12 C.F.R. Part 34;
  - (ix) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
  - (x) determining and documenting that any participations purchased comply with safe and sound banking practices, guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984, and the requirements of 12 C.F.R. Part 34; and
  - (xi) obtaining the written approval of the Bank's Loan Committee or Board;
- (b) provide for identification, measurement, monitoring, and control of concentrations of credit;
  - (c) ensure the accuracy of internal management information systems;
  - (d) provide adequate training of Bank personnel performing credit analysis in cash flow analysis, including analysis using information from tax returns, and implement processes to ensure that additional training is provided as needed; and
  - (e) include a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance,

documentation standards, accuracy in credit risk ratings, and other loan administration matters.

(5) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing credit or collateral information described in the ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(6) Effective as of the date of this Order, the Board shall take the necessary steps to reduce credit, collateral, and Bank Loan Policy exceptions, to include, at a minimum, the development of a program that makes loan officers accountable for such exceptions and considers such exceptions in the periodic performance reviews and compensation of such loan officers.

## **ARTICLE V**

### **CREDIT RISK RATINGS AND NONACCRUAL RECOGNITION**

(1) Within sixty (60) days of this Order, the Board shall develop, and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a program to ensure that: 1) the risk associated with the Bank's loans and other assets is properly reflected and accounted for on the Bank's books and records and that 2) the Bank does not improperly recognize income, to include, at a minimum, provisions requiring that:

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

- (b) the Bank's loans and other assets are graded based upon current facts and existing/reasonable (considering the loan purpose) repayment terms with a focus upon whether the primary repayment source is threatened by a well-defined weakness and whether the credit relies heavily upon secondary repayment sources, especially illiquid collateral or an unsubstantiated guarantor;
- (c) the Bank's loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report;
- (d) lending officers conduct periodic, formal reviews for determining the appropriate risk rating and accrual determination;
- (e) appropriate analysis and documentation are maintained in the credit files to support the current and previous risk rating or accrual determination for all credit relationships totaling two-hundred thousand dollars (\$200,000) or more;
- (f) the CEO, President, Chief Lending Officer, all Loan Committee members, and all lending officers receive immediate training from a qualified external consultant with respect to the application of Subparagraphs (a) through (e) of this Article;
- (g) ensure the bank's risk rating system properly identifies the degree of credit risk in the portfolio to ensure a sufficient Allowance balance;
- (h) the lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring that the Bank's

loans and other assets are appropriately and timely risk rated, charged off and/or placed on nonaccrual;

- (i) implement periodic training to ensure appropriate understanding of risk rating guidelines;
- (j) independent validation of the risk rating process;
- (k) management information systems that periodically provide feedback about the effectiveness of the program by senior management and the individual lending officers.

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

## **ARTICLE VI**

### **CRITICIZED ASSETS**

(1) Effective as of the date of this Order, the Board shall take immediate and continuing action to protect its interest in those assets criticized as “doubtful,” “substandard,” or “special mention” in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within ninety (90) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program designed to reduce the Bank’s criticized assets (the “Criticized Assets Program”). The Criticized Assets Program shall include or address the following matters:

- (a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month;

- (b) specific plans for the reduction of criticized assets by asset type with target reductions by month; and
- (c) procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to eliminate the weaknesses in each criticized credit relationship or Other Real Estate ("ORE") totaling two-hundred thousand dollars (\$200,000) or above.

(3) The Board's compliance with Paragraph (2) of this Article shall include the development of procedures for the monthly submission and review of criticized asset reports for all criticized credit relationships and ORE totaling two-hundred thousand dollars (\$200,000) or above (including any sold portion), that require, at a minimum, analysis and documentation of the following:

- (a) an identification of the root cause of the problem;
- (b) an identification of either a criticized asset rehabilitation or exit strategy;
- (c) an identification of the expected sources of repayment;
- (d) the current appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable, as well as other necessary documentation to support the collateral valuation;
- (e) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (f) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment including an appropriate rehabilitate or exit strategy;



- (g) trigger dates for borrower actions or for loan officers to reassess the strategy and enact collection plans;
- (h) specific action plans and trigger dates for risk rating changes and documentation of the analysis and reasoning to support the current risk rating;
- (i) for criticized relationships of two hundred thousand dollars (\$200,000) or above (including any sold portion) that were made for the purpose of constructing or developing commercial real estate, the reports shall also include:
  - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
  - (ii) project development status;
  - (iii) a comparison of development costs to the budgeted amount;
  - (iv) a comparison of sales activity to the original sales projections;
  - (v) current market conditions and activity;
  - (vi) amount and source of initial interest reserve and the amount and source of any subsequent additions to the reserve;
  - (vii) an assessment of the borrower's global cash flow;
  - (viii) an assessment of the guarantor's ability to support the project;
  - (ix) any other significant information relating to the project; and
- (j) the results of any ASC 310 impairment analysis;

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

(5) A copy of each criticized asset report relating to criticized credit relationships and ORE totaling two hundred thousand dollars (\$200,000) or above prepared during the last month of each quarter end (e.g., March, June, September, December) along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit or to dispose of the ORE, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(6) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions equal or exceed two-hundred thousand dollars (\$200,000), unless each of the following conditions is met:

- (a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

## **ARTICLE VII**

### **EXTERNAL LOAN REVIEW**

(1) Within thirty (30) days of this Order, the Board shall employ a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio. The scope of the external loan review shall include at least seventy percent (70%) by dollar volume of the commercial, agricultural, and commercial real estate portfolios on an annual basis, and provide for a written report to be filed with the Board after each semi-annual review, with the first report due no later than May 31, 2011, and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include comments and conclusions regarding:

- (a) the loan review scope and coverage;
- (b) overall quality of the loan and lease portfolios;
- (c) the identification, type, rating, and amount of problem loans and leases;
- (d) the identification and amount of delinquent and nonaccrual loans;
- (e) the identification/status of credit related violations of law or regulation;
- (f) loans not in conformance with the Bank's lending policies;
- (g) credit underwriting and documentation exceptions;
- (h) credit analysis and documentation of such;
- (i) accuracy of internal risk ratings;
- (j) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (c) through (i) of the Article;
- (k) overall credit administration practices; and
- (l) completeness and effectiveness of problem loan workout plans.

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

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

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be maintained in the books and records of the Bank.

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

## **ARTICLE VIII**

### **ALLOWANCE FOR LOAN AND LEASE LOSSES**

(1) Within thirty (30) days of this Order, the Board shall revise, adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an appropriate Allowance for Loan and Lease Losses ("Allowance") in accordance with GAAP. The Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance

for Loan and Lease Losses” dated December 13, 2006 (OCC Bulletin 2006-47), and July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with Accounting Standards Codification 310-10 and 450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);
- (c) procedures for validating the Allowance methodology; and
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
  - (i) trends in the Bank’s internal risk ratings, delinquent, and nonaccrual loans;
  - (ii) results of the Bank’s external loan review;
  - (iii) concentrations of credit in the Bank;
  - (iv) present and prospective economic conditions; and
  - (v) applicable experience of the Bank’s lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Call Reports for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Call Report, by additional provisions from earnings. Written

documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

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

## **ARTICLE IX**

### **VIOLATIONS OF LAW**

(1) The Board shall immediately take the necessary steps to ensure that Bank management corrects each violation of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, cited in the ROE and in any subsequent Report of Examination or OCC correspondence. The quarterly progress reports required by Article I of this Order shall include the date and manner in which each correction has been implemented during that reporting period.

(2) Effective as of the date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations, practices, and breaches as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations and duties applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination or other OCC correspondence which cites violations of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future citations in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance

management which incorporate internal control systems and education of employees regarding laws, rules, regulations, and duties applicable to their areas of responsibility.

## **ARTICLE X**

### **ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME**

(1) This Order becomes effective upon execution by the Assistant Deputy Comptroller. Unless otherwise specified, any time limitations set by this Order shall begin to run on the effective date of the Order.

(2) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Assistant Deputy Comptroller to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(3) All such requests shall be accompanied by any supporting documentation, and, to the extent requested by the Assistant Deputy Comptroller, a sworn declaration or declarations setting forth any other facts upon which the Bank relies.

(4) The Assistant Deputy Comptroller's decision concerning a request made pursuant to this Article is subject to Article XI, Paragraph (3) of this Order, and is final and not subject to further review.

## **ARTICLE XI**

### **CLOSING**

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory

objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Order or accepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow up on any noncompliance with such actions in a timely and appropriate manner; and



(d) require corrective action be taken in a timely manner of any noncompliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a supervisory “written order entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior orders or prior arrangements between the parties, whether oral or written.

**IN TESTIMONY WHEREOF**, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

March 22, 2011

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Thomas Jorn  
Assistant Deputy Comptroller  
Wichita Field Office

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Date

**IN TESTIMONY WHEREOF**, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>                  /s/                  </u> Steve Goebel	<u>                  March 22, 2011                  </u> Date
<u>                  /s/                  </u> Jerod Heiman	<u>                  March 22, 2011                  </u> Date
<u>                  /s/                  </u> John McKay	<u>                  March 21, 2011                  </u> Date
<u>                  /s/                  </u> Joe Rottinghaus	<u>                  March 22, 2011                  </u> Date
<u>                  /s/                  </u> William Schlobohm	<u>                  March 22, 2011                  </u> Date

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY**

<b>In the Matter of:</b>	)	
Conway Bank, National Association	)	AA-WE-11-26
Conway Springs, Kansas	)	

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Conway Bank, National Association, Conway Springs, Kansas (“Bank”), pursuant to 12 U.S.C. § 1818(b), for unsafe and unsound banking practices relating to its Board and management oversight, credit underwriting, credit administration, and management of liquidity.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated March 22, 2011 (the “Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

**ARTICLE I**

**Jurisdiction**

- (1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 et seq.
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

## **ARTICLE II**

### **Agreement**

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

## **ARTICLE III**

### **Waivers**

(1) The Bank, by signing this Stipulation and Consent, hereby waives:

- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
- (b) any and all procedural rights available in connection with the issuance of the Order;

- (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 19
- (d) all rights to seek any type of administrative or judicial review of the Order; and
- (e) any and all rights to challenge or contest the validity of the Order.

**ARTICLE IV**

**Other Action**

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/

March 22, 2011

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Thomas J. Jorn  
Assistant Deputy Comptroller  
Wichita Field Office

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Date

**IN TESTIMONY WHEREOF**, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<i>/s/</i> _____ Steve Goebel	March 22, 2011 _____ Date
<i>/s/</i> _____ Jerod Heiman	March 22, 2011 _____ Date
<i>/s/</i> _____ John McKay	March 21, 2011 _____ Date
<i>/s/</i> _____ Joe Rottinghaus	March 22, 2011 _____ Date
<i>/s/</i> _____ William Schlobohm	March 22, 2011 _____ Date