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UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of	)	Order No.: MW-08-16
	)	
GENERATIONS BANK	)	Effective Date: October 23, 2008
Phillipsburg, Kansas	)	
OTS Docket No. 16195	)	

ORDER TO CEASE AND DESIST

WHEREAS, Generations Bank, Phillipsburg, Kansas, OTS Docket No. 16195 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Midwest Region (Regional Director), is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

1. Compliance with Laws, Rules, and Regulations.

The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or aiding and abetting any violation of a condition of approval of an application specifically relating to the Association set forth in OTS Order No. 2006-53, dated December 29, 2006, and applicable laws, rules, or regulations, including, but not limited to, the following:

a. Section 11 of the Home Owners' Loan Act, 12 USC § 1468; 12 CFR § 563.41; and 12 CFR Part 223 (transactions with affiliates);
b. 12 CFR § 560.170 (loan underwriting, documentation, and administration);
c. 12 CFR § 563.170(c) (accurate and complete books and records); and
d. 12 CFR § 563.200 (conflicts of interests).

2. **Capital and Liquidity.**

a. The Association shall: (i) by December 31, 2008, and through March 30, 2009, maintain a core capital ratio of at least 6.00 percent and a risk-based capital ratio of at least 10 percent; and (ii) by March 31, 2009, and thereafter, maintain a core capital ratio of at least 6.50 percent and a risk-based capital ratio of at least 10.75 percent.
b. Effective immediately, the Association shall not declare any dividend or other capital distribution, as that term is defined in 12 CFR § 563.141, without the prior written notice of non-objection of OTS, as required by 12 USC § 1467a(f) and 12 CFR § 563.146. The Association shall not request a prior written notice of non-objection to a dividend or capital distribution unless it demonstrates that the Association has (and would have after the payment of the proposed dividend or capital distribution) a core capital ratio of at least 6.50 percent and a risk-based capital ratio of at least 10.75 percent.
c. By November 14, 2008, the Board shall adopt, implement, and submit to OTS for written notice of non-objection a liquidity contingency plan (Liquidity Plan) to ensure the

Association maintains adequate liquidity to withstand any anticipated or extraordinary funding request. At a minimum, the Liquidity Plan shall: (i) address the Association's short-term liquidity sources and borrowing capacities at the Federal Home Loan Bank and the Federal Reserve Bank, and related collateral requirements; and (ii) identify alternative funding sources. The Board shall require management to implement the Liquidity Plan (including any revisions directed by OTS).

3. **Merger or Sale of the Association.**

   a. Within five (5) days, the Board shall establish a Merger and Sale Committee, a majority of members of which shall be Outside Directors (as such term is defined in subsection 8(f)(i) of this Order), to oversee efforts to sell the Association to a qualified entity, to merge the Association into another insured depository institution, or to sell substantially all of the assets and liabilities of the Association to a qualified entity and liquidate the Association.

   b. Beginning on November 14, 2008, and thereafter, the Merger and Sale Committee shall submit at least one report every 14 days to the OTS, reporting on its efforts during the preceding 14 days to sell or merge the Association and the results of those efforts, including, but not limited to, contacts from interested parties and parties doing due diligence.

   c. By December 15, 2008, the Board shall enter into a binding purchase agreement to sell the Association to a qualified entity, merge the Association into another insured depository institution, or sell substantially all of the Association's assets and liabilities to a qualified entity and liquidate the Association. Such binding purchase agreement shall require all required regulatory applications to be filed by January 15, 2009, with a consummation date of no later than the date of receipt of all required regulatory approvals or March 31, 2009, whichever date is later.

d. For purposes of this Section of this Order, the term, "qualified entity", is defined to include an individual, a group of individuals, a partnership, a corporation, a depository institution holding company, insured depository institution, or any other form of business organization that may, under applicable statutes and regulations, merge with the Association or purchase all, or substantially all, assets and liabilities of the Association. The terms, "insured depository institution" and "depository institution holding company", have the meanings set forth in 12 USC §§ 1813(c)(2) and (w)(1), respectively.

4. **Loan Policy and Underwriting.**

a. Effective immediately, the Association shall not purchase, or commit to purchase, any participation in any amount, and shall not make, purchase, or commit to make or purchase, any loan or other extension of credit in excess of $150,000, unless it receives the prior written notice of non-objection by OTS. Any such request from the Association for prior written notice of non-objection from OTS shall include a certified resolution of the Board that the participation purchase, loan, or other extension of credit would comply with subsection 4(c) of this Order and with all applicable laws and regulations.

b. By December 1, 2008, the Board shall adopt and submit to OTS for prior written notice of non-objection a revised Loan Policy that:

(i) requires the Association to comply with all applicable regulations, including, but not limited to, 12 CFR §§ 560.170, 563.41, 563.43, and 563.170(c); 12 CFR Parts 215 and 223; and 12 CFR § 560.101 and Appendix thereto, and maintain adequate documentation evidencing such compliance;

(ii) is consistent with this Order and all applicable OTS guidelines, including, but not limited to, Sections 201 (Lending Operations and Portfolio Risk Management), 212 (One-to-Four Family Residential Real Estate Lending), 213 (Construction Lending), 214 (Other Commercial Lending), and 217 (Consumer Lending) of the OTS Examination Handbook;

(iii) requires the loan officer to provide a written certification to the Loan Committee that the loan, the loan commitment, or the purchase of a participation complies with 12 CFR §§ 560.170 and 563.170(c) and requires the written certification and supporting documentation to be maintained in the Association's records;

(iv) requires the formation of a Loan Committee comprised of a majority of its members who are Outside Directors (as defined in subsection 8(f)(i) of this Order) and that has a chairperson who is an Outside Director;

(v) establishes an internal asset review system that conforms to the guidelines set forth in CEO Letter No. 140, dated May 31, 2001, and entitled "Effective Internal Asset Review Systems"; and

(vi) establishes a system of internal controls that is consistent with the guidelines set forth in Section 340 (Internal Control) of the OTS Examination Handbook to ensure that the Association's loans and commitments are made and documented in accordance with applicable statutes, regulations, and OTS policy statements, and the Association's policies.

c. The Board shall amend the Loan Policy as directed by OTS and the Association shall comply with the Loan Policy (including any such amendments). The Loan Policy shall be incorporated into this Order, and any deviation from such Loan Policy shall be a violation of this Order.

5. **Transactions with Affiliates, Insiders, and their Related Interests.**

a. Effective immediately, the Association shall not: (i) engage, or commit to engage, in any new transactions (as defined in subsection 5(f) of this Order) with any of the Association's affiliates, any Insiders (as defined in subsection 5(h) of this Order), or related interests of any Insiders (as defined in 12 CFR § 215.2(n)); or (ii) renew or amend, or commit to renew or amend, any transaction with any affiliate, any Insider of the Association, or any related interest of an Insider that exists as of the Effective Date or during the term of this Order, unless the Association receives the prior written notice of non-objection by OTS.

b. By November 21, 2008, the Board shall provide to OTS a written list and description of each transaction that occurred on and after January 1, 2008 with any of its affiliates, Insiders, or related interests of any Insiders, including commitments to engage in such transactions.

c. By November 28, 2008, the Association shall cease any or all existing transactions (as defined in subsection 5(f) of this Order) with any affiliates, any Insiders, and any related interests of Insiders, except for transactions covered by subsection 5(d) of this Order, unless the Association obtains a written notice of non-objection by OTS prior to November 28, 2008.

d. By December 5, 2008, the Association shall either (i) sell all loans (as covered by subsection 5(f) of this Order) involving any affiliates, any Insiders, or any related interests of Insiders or (ii) submit a request for a written non-objection to continue to hold the loans. If OTS issues a written notice of objection, the Association shall sell the loan or otherwise take the action directed by OTS within 30 days of receipt of OTS's written notice.

e. Any request by the Association for a written notice of non-objection by OTS to any proposed or existing transaction (or any renewal, amendment, or commitment with regard thereto) with any affiliate, any Insider, or any related interest of an Insider for purposes of subsections 5(a), (c), or (d) of this Order shall include, at a minimum, the following:

   i. A detailed description of the proposed transaction that supports, and is consistent with, all assumptions set forth in the legal opinion submitted pursuant to subsection (e)(iii) hereof;

   ii. Copies of all documents relevant to the proposed transaction;

   iii. A written legal opinion by qualified independent counsel (as that term is defined in subsection 8(f)(ii) of this Order), that the proposed transaction complies with applicable regulations, including, but not limited to, 12 CFR § 563.41 and 12 CFR Part 223, if the transaction is with an affiliate; and 12 CFR § 563.43 and 12 CFR Part 215, if the transaction is with an Insider or a related interest of an Insider; and

   iv. A certified resolution adopted by the Board, stating that the Board reviewed the proposed transaction with the affiliate, the Insider, or the related interest of an Insider and found that the proposed transaction: (A) comports with the Association's policies and with applicable laws and regulations, and (B) is in the Association's best interests.

f. For purposes of this Section 5 of this Order:

   i. A "transaction" with an affiliate, Insider, or a related interest of an Insider includes, but is not limited to, any contract, agreement, or arrangement; any purchase, sale, transfer, grant, or receipt of any loan (including participations or other interests therein) or other asset or liability; any advance of funds; any payment of funds of any kind; any provision or receipt of any good or service of any kind (including, but not limited to, escrow and depository services); any payment of an overdraft by the Association (where the transaction amount exceeds the amount of funds readily available for collection regardless of whether intraday); and any arrangement of any kind that is of the type described in 12 CFR § 223.52;

ii. A transaction with "any person" shall be deemed to be a transaction with an affiliate if it is of the type described in 12 CFR § 223.16;

iii. A transaction (including, but not limited to, the making of a loan or funding of a loan) with a franchisee or debtor of an affiliate shall be deemed a transaction with that affiliate;

iv. Any transaction related to a loan originated, or currently or in the past held or serviced, by any affiliate shall be deemed a transaction with that affiliate;

v. Any transaction referred or facilitated, by an affiliate, by any director, officer, employee, agent, stockholder of an affiliate, or by a member of the immediate family of any of the foregoing, and any transaction materially similar to a proposed transaction referred or facilitated by an affiliate, by any director, officer, employee, agent, stockholder of an affiliate, or by a member of the immediate family of any of the foregoing, shall be deemed a transaction with that affiliate; and

vi. The term, immediate family, shall have the definition set forth in 12 CFR § 574.2(j).

g. If OTS issues a written notice of non-objection to the Association to engage in any existing or proposed transaction (or any renewal, amendment, or commitment with regard thereto) with an affiliate, an Insider, or a related interest of an Insider, the Association:

   i. Shall engage in the transaction in accordance with all conditions set forth in that notice of non-objection;

   ii. Shall maintain complete and accurate documentation of that transaction such that the Association complies with all applicable documentation requirements of 12 CFR §§ 563.41(c)(3), 560.170, and 563.170(c); and

   iii. Shall ensure that the transaction is in compliance with all applicable laws and regulations, OTS policies, and Association policies.

h. For purposes of this Order, "Insider" shall mean the Association's directors, principal shareholders, executive officers, and employees; persons with the power to direct the Association's management or policies; and the persons who owe a fiduciary duty to the Association.

6. **Remediation Plan.**

a. By November 28, 2008, the Board shall obtain and review the report (Loan Transactions Report) from qualified independent counsel (as defined in subsection 8(f)(ii) of this Order) that addresses the compliance of specific transactions with applicable laws, regulations, and the Association's policies; safe and sound practices; and exercise of fiduciary duties. The Loan Transactions Report shall: (i) address the roles of the Association's affiliates, Insiders, and agents in any transactions identified by OTS as of Effective Date; and (ii) set forth any violation of applicable law, regulation, or

Association policy; any breach of fiduciary duty; an unsafe or unsound practice; or any other similar action by the affiliate, Insider, or Association agent.

b. By December 8, 2008, the Board shall submit to OTS a copy of the Loan Transactions Report and shall adopt and submit to OTS a plan (Remediation Plan) that sets forth: (i) the specific actions the Board shall take or has taken, on behalf of the Association, in response to the Loan Transactions Report, including what actions shall be taken with respect to the operations and oversight of the Association or initiated against any party or entity; and (ii) specific dates for completion of each corrective action. The Board shall amend the Remediation Plan if directed by OTS. The Board shall thereafter comply with the Remediation Plan, including any amendments directed by OTS.

c. Board members shall disclose all conflicts of interest in writing in the Board minutes and otherwise comply with 12 CFR § 563.200 (regarding conflicts of interest) in considering the Loan Transactions Report and adopting the Remediation Plan.

7. **Litigation Report.**

a. By November 28, 2008, the Board shall provide to OTS: (i) a list of all currently outstanding lawsuits to which the Association is a party, and (ii) a list of all matters in which a party to a transaction with the Association has stated, in writing addressed to the Association or any of its officers, the intent to commence a lawsuit against the Association.

b. Within five (5) days of the service of any lawsuit, claim, or demand against the Association, the Association shall notify OTS in writing.

8. **Risk Management.**

a. By November 14, 2008, the Board shall form a committee (Risk Management Committee) of the Board, consisting entirely of Outside Directors (as defined in subsection 8(f)(i) of this Order), to manage and oversee the financial and legal risks of outstanding lawsuits against the Association. The Risk Management Committee shall, with the assistance of qualified independent counsel (as defined in subsection 8(f)(ii) of this Order), review the Association's financial and legal risks of any outstanding litigation that involves the Association's outstanding and past transactions with its affiliates, Insiders, or franchisees of any of its affiliates.

b. The Risk Management Committee shall review the Association's financial and legal risks associated with the corporate reorganization or bankruptcy of any of the Association's current or former affiliates, with the assistance of qualified outside counsel.

c. For purposes of subsections 8(a) and (b) of this Order:

    i. the Association and its officers, employees, and the Board shall provide the qualified independent counsel with all applicable Association documents and other information; and

    ii. the review shall address the litigation strategy with respect to any claims that the Association may have against any affiliate, any Insider, or any person associated with any affiliate.

d. By December 8, 2008, the Risk Management Committee shall prepare and submit to the Board a plan (Risk Management Plan) to minimize the financial and legal risks to the Association that were identified in the review undertaken pursuant to subsection 8(a) of this Order.

e. By December 22, 2008, the Board shall adopt the Risk Management Plan. By December 22, 2008, the Association shall submit a copy of the Risk Management Plan to OTS.

f. For purposes of this Order:

i. "Outside Director" shall mean a member of the Board who is currently serving or has not served as a chief executive officer, chief operating officer, or president of the Association or any member of the immediate family (as such term is defined in 12 CFR § 574.2(j)) of anyone who has served in any such position.

ii. "Qualified independent counsel" shall mean counsel: (A) who is qualified and competent based on his or her experience to render the legal services pertaining to compliance with this Order; (B) who does not currently represent or has not previously represented the Association; and (C) who does not currently represent, and has not previously represented, any affiliate of the Association, any officer, director, employee, or stockholder of the Association or any affiliate thereof, or any member of the immediate family (as such term is defined in 12 CFR § 574.2(j)) of any of the foregoing.

9. **Conflicts of Interest.**

a. By November 14, 2008, the Board shall adopt, and submit to the OTS for prior written notice of non-objection, a comprehensive conflicts of interest policy (Conflicts of Interest Policy) applicable to Insiders (as defined in subsection 5(h) of this Order) and related interests of Insiders. At a minimum, the Conflicts of Interest Policy shall:

i. Require compliance with 12 CFR §§ 563.41, 563.43, 563.200, and 563.201; 12 CFR Parts 215 and 223; and Section 310 (Oversight by the Board of Directors) of OTS Examination Handbook by the Association and its Insiders;

ii. Require written disclosure, and thereafter periodic updates, by each Insider of all of his or her related interests;

iii. Require the establishment of a system of internal controls to monitor the Association's compliance with the Conflicts of Interest Policy, including, but not limited to, the submission of an immediate written report to the Board, with a copy provided to OTS, of: (A) any violation of 12 CFR §§ 563.41, 563.43, 563.200, and 563.201; 12 CFR Parts 215 and 223; or any suspected violation of these regulations and the circumstances of the actual or suspected violation; or (B) noncompliance or exceptions to the Conflicts of Interest Policy; and

iv. Require a written certification that each Insider has read, understands, and shall comply with the Conflicts of Interest Policy.

b. Immediately following the receipt of OTS's written notice of non-objection to the Conflicts of Interest Policy, the Board shall adopt a revised Conflicts of Interest Policy (with such revisions as may be required by OTS). Such Conflicts of Interest Policy shall be incorporated into this Order, and any deviation from the Conflicts of Interest Policy shall be a violation of this Order.

10. Records, Reports, and Corporate Governance.

a. The Association shall establish and maintain such records as will provide an accurate and complete record of all business it transacts to ensure compliance with 12 CFR § 563.170(c) and, as applicable, 12 CFR §§ 560.170 and 563.41(c)(3).

b. Effective immediately, the Board shall ensure that Board minutes and Board Committee minutes reflect fully, specifically, and accurately all matters presented to, or discussed at meetings of, the Board or a Board Committee, in accordance with 12 CFR § 563.170(c) and Section 310 (Oversight by the Board of Directors) of the OTS Examination Handbook. All minutes of the Board and Board Committee meetings shall be complete and accurate representation of meeting discussions, including, but not limited to, votes, dissenting opinions, dissenting votes, abstentions, absences, and the supporting documentation provided to the Board or Board Committee. Board minutes shall reflect:

(i) the Board's actions on any transaction exceeding $100,000 with appropriate documentation and management reports; (ii) the Board's approval of all operating policies on a regularly scheduled basis throughout the year; (iii) the Board's review of deviations and exceptions from the Association's policies and business plan; (iv) the Board's review of minutes of meetings of its Committees; and (v) the Board's review of all reports from management required by this Order, applicable regulations, and the Association's policies.

c. The Board and Board Committee members shall review and approve or modify the minutes of each meeting at the next Board or Board Committee meeting and submit a copy of such minutes to OTS within five (5) business days after such meeting.

11. **Material Transactions and Management Changes.**

a. Without the prior written notice of non-objection of OTS, the Association shall not, directly or indirectly, sell, divest, encumber, or transfer any of its assets with a book value of more than $100,000, individually or in the aggregate, except for federal funds sold and purchased, cash and non-interest earning deposits, and other interest earning deposits. If the Board determines that there are categories of recurring transactions that require OTS's prior review, the Association may submit to OTS a request for a blanket prior written notice of non-objection for the recurring transactions.

b. Effective immediately, the Association shall comply with the requirements of OTS Regulatory Bulletin 3b (RB 3b) and, except upon receipt of the prior written approval of the Regional Director, shall not increase its total assets during any quarter, beginning with the quarter ending December 31, 2008, in excess of an amount equal to the net interest credited on deposit liabilities during the quarter.

12. **<u>Changes in Directorate or Senior Executive Officers.</u>**

a. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and senior executive officers set forth in 12 CFR Part 563, Subpart H.

b. The Association shall notify OTS of any demotion, termination, or a change in responsibility of an officer (as defined in 12 CFR § 561.35 or designated as such in the Association's bylaws) in writing within one (1) business day of such action.

13. **<u>Employment Contracts and Compensation Arrangements</u>.**

Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any senior executive officer or director of the Association, unless it first provides OTS with not less than 30 days prior written notice of the proposed transaction. The notice to OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to OTS fully complies with the requirements of 12 CFR Part 359, 12 CFR §§ 563.39 and 563.161(b), and 12 CFR Part 570-Appendix A.

14. **<u>Severance and Indemnification Payments</u>.**

Effective immediately, the Association shall not make any golden parachute payment or prohibited indemnification payment unless, with respect to each such payment, the Association has complied with the requirements of 12 CFR Part 359 and, also as to indemnification payments, 12 CFR § 545.121.

15. Third Party Contracts.

Effective immediately, the Association shall not enter into any third party contract outside the normal course of business (as defined in Thrift Bulletin 82a) unless, with respect to each such contract, the Association has (a) provided OTS with a minimum of 30 days prior written notice of such contract and (b) received written notice of non-objection from OTS.

16. Compliance.

a. By 30 days after the end of each month, beginning with the month of November 2008, the Association shall adopt a board resolution (Compliance Resolution): (i) formally resolving that, the Board conducted a diligent inquiry of relevant information (including reports from management) regarding the Association's compliance with the Order, during the immediately preceding month; (ii) detailing the Association's compliance with the provisions of this Order; (iii) identifying each instance of noncompliance; and (iv) setting forth, in detail, additional corrective actions or steps adopted or required by the Board to address each instance of noncompliance. Within 10 days of the meeting of the Board at which the Compliance Resolution was adopted, the Association shall provide to OTS a certified copy of each Compliance Resolution and any compliance reports from the Association's management that were reviewed during the Board meeting.

b. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Order.

17. Effective Date, Incorporation of Stipulation.

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

18. Duration.

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

19. Time Calculations.

a. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

b. The Regional Director, or an OTS authorized representative may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

20. Submissions and Notices.

a. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

b. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

i. To OTS:

Midwest Regional Director
Attn: Regional Deputy Director Gary Scott
225 E. John Carpenter Freeway, Suite 500
Irving, Texas 75062-2326

ii. To the Association:

Board of Directors (with a copy to the Outside Directors)
Generations Bank
195 State Street
Phillipsburg, Kansas 66225-6467

21. **<u>No Violations Authorized</u>.**

Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: /S/
C. K. Lee
Regional Director, Midwest Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of **GENERATIONS BANK** Phillipsburg, Kansas OTS Docket No. 16195	Order No.: MW-08-16 Effective Date: October 23, 2008

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Midwest Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Generations Bank, Phillipsburg, Kansas, OTS Docket No. 16195 (Association) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. **Jurisdiction.**

a. The Association is a "savings association" within the meaning of 12 USC § 1813(b) and 12 USC § 1462(4). Accordingly, the Association is "an insured depository institution" as that term is defined in 12 USC § 1813(c); and

b. Pursuant to 12 USC § 1813(q), the Director of OTS is the "appropriate Federal banking agency' with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 USC § 1818(b).

2. **OTS Findings of Fact.**

Based on its ongoing examination of the Association that commenced on September 8, 2008, OTS finds that the Association has engaged in unsafe and unsound banking practices, including, but not limited to, the failure to establish adequate internal controls that are designed to prevent violations of 12 CFR § 563.200. OTS also finds that the Association has failed to comply with conditions imposed in writing in connection with the approval of an application specifically relating to the Association by OTS Order No. 2006-53, dated December 29, 2006, and has failed to comply with requirements of various laws and regulations, including:

a. 12 USC § 1468, 12 CFR § 563.41, and 12 CFR Part 223 (regarding transactions with affiliates);

b. 12 CFR § 560.170 (regarding credit underwriting, documentation, and administration); and

c. 12 CFR § 563.170(c) (regarding establishment and maintenance of records).

3. Consent.

The Association consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

The Association waives the following:

a. The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;

b. The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;

c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and

d. Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. **OTS Authority Not Affected.**

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Association if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. **Other Governmental Actions Not Affected.**

The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. **Miscellaneous.**

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

c. All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. **Signature of Directors/Board Resolution.**

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

GENERATIONS BANK
Phillipsburg, Kansas

By: /S/
Larry Goddard
Chairman of the Board

OFFICE OF THRIFT SUPERVISION

By: /S/
C.K. Lee
Regional Director, Midwest Region

Date: See Effective Date on page 1

/S/
Rebecca Post, President and Director

/S/
William Morton, Director

/S/
Jeff Copper, Director