

AGREEMENT BY AND BETWEEN
The Exchange National Bank of Cottonwood Falls
Cottonwood Falls, Kansas
and
The Comptroller of the Currency

The Exchange National Bank of Cottonwood Falls, Cottonwood Falls, Kansas, (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has determined that the Bank has engaged in unsafe and unsound banking practices relating to its Board and management oversight, strategic and capital planning, and credit risk management and administration.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

Jurisdiction

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall not be construed to require the Bank “to meet and maintain a specific capital level” within the meaning of 12 C.F.R. § 6.4.

Article II

Compliance Committee

(1) Within ten (10) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder 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. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) By no later than the end of every calendar quarter plus one month (e.g., April 30th, July 31st, October 31st, and January 31st) 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 Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within fifteen (15) days of receiving such report (e.g. by May 15th, August 15th, November 15th, and February 15th).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement 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 Agreement.

Article III

Management and Board Supervision

(1) Within ninety (90) days of this Agreement, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written program (including appropriate policies and procedures) designed to correct the Bank's deficiencies in management leadership and Board oversight as described in the Report of Examination conducted as of March 31, 2011 (the "ROE"), to include specific actions for attaining the necessary management expertise and Board involvement to return the Bank to a safe and sound condition, including but not limited to:

- (a) the development of revised operating policies and procedures designed to ensure:
 - (i) the Board provides proper oversight of the affairs of the Bank;

- (ii) the Board receives and reviews sufficient Bank information from management (including scope, frequency and content) on the operation of the Bank to enable them to provide proper oversight and fulfill their fiduciary duties and other responsibilities under law; and
 - (iii) the Board eliminates any managerial or other deficiencies in the supervision or organizational structure of the Bank;
- (b) the development of a comprehensive conflict of interest and insider lending policy applicable to the Bank’s directors, principal shareholders, executive officers, affiliates, and employees (“Insiders”) and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:
- (i) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
 - (ii) guidelines for loans to Insiders to ensure compliance with 12 C.F.R. Part 215, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;
 - (iii) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
 - (iv) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of “related interests” as defined by 12 C.F.R. Part 215;

- (v) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank;
 - (vi) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank; and
 - (vii) specific plans for external conflict of interest and insider lending training for all directors and senior management.
- (c) the development of revised internal controls to monitor policy adherence;
- (d) the development of policies and procedures to ensure that management appropriately responds to any audit or compliance criticisms, and regulatory violations of law, unsafe or unsound banking practices, breaches of fiduciary duty, and Matters Requiring Attention (collectively, "material criticisms") to include at a minimum:
- (i) requirements for the development of written action plans to address material criticisms that include:
 - (A) corrective actions to be taken;
 - (B) deadlines for taking the corrective action; and
 - (C) the individual responsible for making the corrective action;
 - (ii) review and approval by the Board of management's proposed actions to be taken;
 - (iii) a tracking system that will ensure that material criticisms are reported to the Board and corrected in a timely manner.

(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.

(3) Within thirty (30) days of the adoption of the conflict of interest and insider lending policy, the Board shall employ a qualified consultant to perform an independent review of the Bank's existing relationships with, its directors, executive officers, affiliates, principal shareholders, employees and their related interests since July 1, 2008, for the purpose of identifying loans and relationships not in conformity with the policy. Prior to the appointment of 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. The scope of the external review shall provide for a written report to be filed with the Board. Such report shall, at a minimum, include comments and conclusions regarding:

- (a) the review scope and coverage, including the identification, type, and amount of Insider and related interest loans and transactions reviewed;
- (b) the identification of and terms associated with extensions of credit by the Bank to or other transactions by the Bank with non Insiders used during the review to evaluate if Insiders were provided preferential terms;
- (c) the identification, type, and amount of Insider loans and transactions not in compliance with Board policy or 12 C.F.R. Part 215; and
- (d) the identification and amount of harm to the Bank from any Insider or related interest loans or transactions with preferential terms.

(4) Upon receipt of the written report required by Paragraph (3) of this Article, the Board shall provide a copy to the Assistant Deputy Comptroller and ensure that:

- (a) any existing loans or nonconforming relationships are brought into conformity with the policy and Part 215 within thirty (30) days; and
- (b) that within thirty (30) days, the Bank is properly reimbursed for:
 - (i) any preferential loan terms; and
 - (ii) any excess or improper payments to Insiders and their related interests.

Thereafter, the Board shall review all loans, and extensions of credit to insiders and their related interests to ensure conformity with 12 C.F.R Part 215. Documentation supporting these reviews shall be in writing and preserved in the Bank.

Article IV

Capital and Strategic Plan

- (1) Effective immediately, the Bank shall only declare dividends when:
 - (a) the Bank is in compliance with the Bank's Three-Year Plan as described below;
 - (b) the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.
- (2) Within ninety (90) days of this Agreement, 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 time frames 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.
- (3) 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) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term;
- (d) an action plan to improve Bank earnings and accomplish identified strategic goals and objectives, including review of staffing and compensation, Bank size, provision expense, and loan pricing;
- (e) control systems to identify and reduce risk to capital and earnings and risks associated with significant concentrations, or any proposed changes in the Bank's operating environment;
- (f) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan;
- (g) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;
- (h) specific plans for the maintenance of adequate capital, consistent with the Bank's overall condition and risk profile;
- (i) projections of the sources and timing of additional capital, to meet the Bank's current and future needs;

- (j) primary source(s) from which the Bank will strengthen its capital structure to meet identified needs;
- (k) contingency plans that identify alternative methods should the capital primary sources not be available;
- (l) systems to monitor the Bank's progress in meeting the plan's goals and objectives; and
- (m) provisions for plan updates and review by the Board on a annual basis, or more frequently if necessary.

(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 Bank's Three-Year Plan.

Article V

Credit Underwriting and Administration

(1) Within sixty (60) days of this Agreement, the Board shall take the necessary steps to ensure that the Bank develops safe and sound credit risk management and administration practices, to include at a minimum:

- (a) policies and procedures that define the Bank's trade area and guidelines and limitations for originating loans outside of the Bank's trade area;
- (b) policies and procedures that prohibit the origination or purchase of any loan or extension of credit for which the Bank does not have the knowledge, skills, or ability to properly underwrite and control;
- (c) policies and procedures to 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 seventy-five thousand dollars (\$75,000), 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 consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook and based upon definitive objective and subjective criterion;
- (viii) determining the proper accrual status for each credit;

- (ix) obtaining a real estate appraisal or evaluation as appropriate;
 - (x) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
 - (xi) 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;
 - (xii) performing loan stress testing and/or sensitivity analysis for agricultural loan relationships totaling two-hundred-fifty thousand dollars (\$250,000) or more to quantify the impact of common stresses such as varying input costs, commodity prices, and interest rates; and
 - (xiii) obtaining the written approval of the Bank's Loan Committee or Board.
- (d) policies and procedures to ensure that all commercial loans, commercial real estate loans, and agricultural loans and participations purchased, are properly monitored to include periodic receipt (no less than annually), analysis and documentation of sufficient financial, operating and collateral information to measure and monitor the borrower's financial condition and repayment ability, and assess the Bank's collateral position;
- (e) policies and procedures for on-site inspections with written reports detailing the condition of collateral, including but not limited to, farm

assets and farm operations at least annually, to include independent inspections for aggregate borrowings exceeding \$250,000;

- (f) policies and procedures to ensure that the Bank's retail credits are charged-off in conformance with OCC Bulletin 2000-20, Uniform Retail Credit Classification and Account Management Policy;
- (g) policies and procedures designed to ensure compliance with 12 C.F.R. Part 34 and the "Interagency Appraisal and Evaluation Guidelines," dated December 10, 2010, to include at a minimum:
 - (i) the establishment of criteria for obtaining and reviewing updated appraisals, new appraisals, and evaluations;
 - (ii) the development of procedures to ensure that appraisals, updates and evaluations are ordered in a timely manner; and
 - (iii) the development of procedures to ensure that appraisals, updates and evaluations are reviewed in a timely manner;
- (h) policies and procedures for maintaining an appropriate Allowance for Loan and Lease Losses ("Allowance") in accordance with GAAP and the "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);
- (i) policies and procedures that include limits and provide for Board monitoring of concentrations stratified by product type, locality, and other meaningful measures, and that provide information in both dollar volume and as a percentage of the Bank's capital;

- (j) policies and procedures to ensure Other Real Estate Owned (OREO) is managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, and is accounted for consistent with GAAP and the Call Report instructions; and
- (k) policies and procedures that establish limits for the number and dollar amount of credit, collateral, and underwriting exceptions allowable at any one time, and a system for measuring exceptions against Board approved limits, monthly Board monitoring of exception reports, and accountability by the lending staff for such exceptions that considers such exceptions in periodic performance reviews and compensation of such lending staff.

(2) The Board shall take the necessary steps to ensure that current and satisfactory credit and 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 subsequent Report of Examination, 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.

Article VI

External Loan Review

(1) Within thirty (30) days of this Agreement, the Board shall modify as necessary the Bank's engagement with a qualified consultant to perform semi-annual asset quality reviews of the Bank's loan portfolio that meet the requirements of this Article. 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 loan portfolios on an annual basis; at least annual review of Insider and related interest loans and extensions of credit; and at least annual review of new and existing loan participations purchased. The external loan review shall provide for a written

report to be filed with the Board after each semi-annual review, with the first report due no later than October 15, 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) loans not in conformance with 12 C.F.R. Part 215;
- (h) loans not in conformance with Banking Circular 181 (Revised), dated August 2, 1984;
- (i) credit underwriting and documentation exceptions;
- (j) credit analysis and documentation of such;
- (k) accuracy of internal risk ratings;
- (l) the identity of the loan officer who originated each loan reported in accordance with Subparagraphs (b) through (h) of the Article;
- (m) overall credit administration practices; and
- (n) completeness and effectiveness of problem loan workout plans.

(2) Prior to any change in 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 submitted to the Assistant Deputy Comptroller and 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 VII

Interest Rate Risk Policy

(1) Within one-hundred-twenty (120) days of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written interest rate risk program that is consistent with the January 6, 2010 Interagency Advisory on Interest Rate Risk Management (OCC Bulletin 2010-1) and at a minimum must:

- (a) establish adequate management reports on which to base sound interest rate risk management decisions for both short- and long-term risk;
- (b) ensure senior management understands, documents, periodically reviews and adjusts as needed assumptions used in the Bank's interest rate risk models;

- (c) result in knowledgeable staffing in this area, which may include additional training;
- (d) establish reasonable policy limits on both short- and long-term interest rate risk; and
- (e) ensure an independent validation of interest rate risk models on at least an annual basis.

(2) The Board shall submit a copy of the revised program and management reports required by this Article to the Assistant Deputy Comptroller.

Article VIII

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 Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. 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 Agreement 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 Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement 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 Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (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 Agreement is intended to be, and shall be construed to be, a supervisory “written agreement 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 Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements 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/

August 31, 2011

Thomas J. Jorn
Assistant Deputy Comptroller
Wichita Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as duly elected and acting Board of

Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

August 31, 2011

Tom Bell

Date

/s/

August 31, 2011

David Cooper

Date

/s/

August 31, 2011

Gary Hatcher

Date

/s/

August 31, 2011

Richard Maresh

Date

/s/

August 31, 2011

Stephan Mermis

Date

/s/

August 31, 2011

Joe Mushrush

Date

/s/

August 31, 2011

Robert Mushrush

Date

/s/

August 31, 2011

George Valentine

Date