FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	
	)	
THE GREENE COUNTY BANK	)	**ORDER TO**
STRAFFORD, MISSOURI	)	**CEASE AND DESIST**
	)	
(Insured State Nonmember Bank)	)	**FDIC-06-227b**
	)	

The Greene County Bank, Strafford, Missouri ("Institution"), having been advised of its right to a Notice of Charges and of Hearing detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Insured Institution and of its right to a hearing on the alleged charges under section 8(b)(1) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b)(1), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated December 26, 2006, whereby solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Insured Institution consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it had reason to believe that the Institution had engaged in unsafe or unsound banking practices and had committed violations of law and/or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED that the Institution, its directors, officers, employees, agents and other institution-affiliated parties (as that term is defined in Section 3(u) of the Act, 12 U.S.C. §1813(u)), and its successors and assigns cease and desist from the following unsafe or unsound banking practices and violations:

(a) operating with a board of directors which has failed to provide adequate supervision over and direction to the active management of the Institution;

(b) operating with management whose policies and practices are detrimental to the Institution and jeopardize the safety of its deposits;

(c) engaging in hazardous lending and lax collection practices;

(d) operating with an inadequate loan review system;

(e) operating with inadequate internal routine and control policies;

(f) engaging in violations of law and applicable regulations;

(g) operating in such a manner as to produce inadequate earnings;

(h) operating with excessive interest rate risk for the kind and quality of the Institution's assets and its inadequate capital;

(i) operating with inadequate capital in relation to the kind and quality of assets and liabilities held by the Institution;

(j) operating with inadequate provisions for liquidity;

(k) operating with inadequate Bank Secrecy Act/Anti-Money Laundering ("BSA") and Office of Foreign Assets Control Compliance Programs ("OFAC"); and

(l) operating with an inadequate information technology program.

IT IS FURTHERED ORDERED that the Institution, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

A. GENERAL SAFETY AND SOUNDNESS

1. Assessment of Management.

(a) The board of directors shall engage an independent third party acceptable to the FDIC and the Missouri Commissioner of Finance (“Commissioner”) and that possesses appropriate expertise and qualifications to analyze and assess the Institution's management and staffing performance and needs. Specifically, the assessment shall provide an evaluation of the current and past performance of all existing Institution officers, including executive officers and staff members, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Institution’s established policies and practices, and operate the Institution in a safe and sound manner. The engagement shall require that the analysis and assessment be summarized in a written report to the board of directors (“Management Report”) within 90 days of the effective date of the ORDER. Within 10 days of receipt of the Management Report, the board will conduct a full and complete review of the Management Report, which review shall be recorded in the minutes of the meeting of the board of directors.

(b) The Institution shall provide the FDIC and the Commissioner with a copy of the proposed engagement letter or contract with the third party for review before it is executed. The contract or engagement letter, at a minimum, shall include:

(i) A description of the work to be performed under the contract or engagement letter, and the fees for each significant element of the engagement;

(ii) The responsibilities of the firm or individual;

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

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

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

(vi) The time frame for completion of the work;

(vii) Any restrictions on the use of the reported findings;

(viii) A provision for unrestricted examiner access to workpapers; and

(ix) A certification that the firm or individual is not affiliated in any manner with the Institution.

(c) Within 20 days of receipt of the Management Report, the board will develop a written Management Plan that incorporates or otherwise addresses the findings of the report, a plan of action in response to each recommendation contained in the Management Report, and a time frame for completing each action. A copy of the Management Report and Management Plan and any subsequent modification thereto shall be submitted to the FDIC and the Commissioner for review and comment. Within 30 days from receipt of any comment, and after the Institution’s consideration of those comments, the board of directors shall approve the Management Plan which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution and its directors, officers and employees shall implement and follow the Management Plan and any modifications thereto. It shall remain the responsibility of the board to fully implement the plan within the specified time frames. In the event the plan, or any portion thereof, is not implemented, the board shall immediately advise the FDIC and the Commissioner, in writing, of specific reasons for deviating from the Management Plan. At a minimum, the Management Plan shall:

(i) Contain a recitation of the recommendations included in the Management Report or otherwise communicated to the Institution, along with a copy of any report(s) prepared by the outside consultant(s);

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

(iii) Identify the type and number of staff positions needed to carry out the Institution’s strategic plan, detailing any vacancies or additional needs;

(iv) Identify the authorities, responsibilities, and accountabilities attributable to each position, as well as the appropriateness of the authorities, responsibilities, and accountabilities, giving due consideration to the relevant knowledge, skills, abilities, and experience of the incumbent (if any) and the existing or proposed compensation;

(v) Present a clear and concise description of the relevant knowledge, skills, abilities, and experience necessary for each position, including delegations of authority and performance objectives;

(vi) Identify the appropriate level of current and deferred compensation to each officer and staff position, including executive officer positions;

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

(viii) Identify and establish Institution committees needed to provide guidance and oversight to management;

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

(x) Identify training and development needs, and incorporate a plan to provide such training and development for all employees;

(xi) Establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer and staff member;

(xii) Contain a current organizational chart that identifies all existing and proposed staff and officer positions, delineates related lines of authority and accountability, and establishes a written plan for addressing any identified needs; and

(xiii) Contain a current management succession plan.

2. Management Changes. During the life of this ORDER, the Institution shall notify the FDIC and the Commissioner in writing of any resignations and/or terminations of any members of its board of directors and/or any of its senior officer(s) within 15 days of the event. The Institution shall also establish procedures to ensure compliance with section 32 of the FDI Act, 12 U.S.C. § 1831i and Subpart F of Part 303 of the FDIC’s Rules and Regulations, 12 C.F.R. §§ 303.100 through 303.103. In addition, the Institution shall notify the FDIC and the Commissioner in writing when it proposes to add any individual to the Institution's board of directors or employ any individual as a senior executive officer. The notification must be received at least 30 days before such addition or employment is intended to become effective and should include a description of the background and experience of the individual(s) to be added or employed.

3. Director Participation. The board of directors shall increase its participation in the affairs of the Institution, which shall specifically include attending regularly scheduled meetings at least once a month in accordance with the Institution’s by-laws. In the event directors repeatedly fail to attend the regularly scheduled meetings, the board shall nominate and support for election to the board of directors new independent candidates who are willing and able to attend the scheduled board meetings. The board shall establish specific procedures designed to keep the board fully informed on a timely basis of matters regarding the management, operation, and financial condition of the Institution at regular intervals and in a consistent format. The board shall prepare in advance and shall follow a detailed written agenda during each meeting, during which, at a minimum, the following matters shall be reviewed and approved: reports of income and expenses; loan reports, including new, overdue, renewed, extended, restructured, insider, non-accrual, charged-off, and recovered loans; investment activity; asset/liability and funds management reports; operating policies; personnel actions; audit and supervisory reports; and the minutes summarizing individual committee meetings and actions. Participation shall also require the assumption of full responsibility for the approval of sound policies, strategic plans, and budgets for all of the Institution's activities. Board minutes shall be detailed, maintained and recorded on a timely basis and shall document reviews and any related actions, including the names of any dissenting directors. Nothing in this paragraph shall preclude the board from considering matters other than those contained in the agenda.

4. Implementation of Loan Policy. Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Institution shall review the Institution’s loan policies and procedures for adequacy and, based upon this review, shall make all appropriate revisions to the policies and procedures necessary to strengthen the Institution’s asset quality and lending functions and to prevent further deterioration. As required by this paragraph, the Institution’s loan policies shall be enhanced to address the criticisms in the

August 30, 2006, FDIC Report of Examination. (FDIC Report of Examination).

5. **Implementation of Loan Review**.

(a) Within 60 days of the effective date of this ORDER, the board shall develop a program of independent loan review that will provide for a periodic review of the Institution's loan portfolio and the identification and categorization of problem credits. At a minimum, the system shall provide for:

(i) Prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) Action plans to reduce the Institution’s risk exposure from each identified relationship;

(iii) Prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(iv) Identification of trends affecting the quality of the loan portfolio, potential problem areas, and action plans to reduce the Institution’s risk exposure;

(v) Assessment of the overall quality of the loan portfolio;

(vi) Identification of credit and collateral documentation exceptions and an action plan to address the identified deficiencies;

(vii) Identification and status of violations of laws, rules, or regulations with respect to the lending function and an action plan to address the identified violations;

(viii) Identification of loans that are not in conformance with the Institution's lending policy and an action plan to address the identified deficiencies;

(ix) Identification of loans to directors, officers, principal shareholders, and their related interests;

(x) An assessment of the ability of individual members of the lending staff to operate within the framework of the Institution’s loan policy and applicable laws, rules, and regulations; and an action plan to address the identified deficiencies; and

(xi) A mechanism for reporting periodically, but in no event less than quarterly, the information developed in (i) through (viii) above to the board of directors. The report should also describe the action(s) taken by management with respect to problem credits.

(b) The Institution shall submit the program to the FDIC and the Commissioner for review and comment. Within 30 days from receipt of any comment from the FDIC and the Commissioner, and after due consideration of any recommended changes, the Institution shall approve the program, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Institution shall implement and fully comply with the program.

(c) Upon implementation, a copy of each report shall be submitted to the board, as well as documentation of the actions taken by the Institution or recommendations to the board that address identified deficiencies in specific loan relationships or the Institution's policies, procedures, strategies, or other elements of the Institution's lending activities. Such reports and recommendations, as well as any resulting determinations, shall be recorded and retained in the minutes of the meeting of the board of directors.

6. Internal Audit. Within 120 days from the effective date of this ORDER, the Institution shall develop an internal audit program that establishes procedures to protect the integrity of the Institution's operational and accounting systems. The program shall be in a form and manner acceptable to the FDIC and the Commissioner and, at a minimum, shall conform to the Interagency Policy Statement on the Internal Audit Function and its Outsourcing and provide procedures to test the validity and reliability of operating systems, procedural controls, and resulting records. In addition, the program shall provide for monthly reports of audit findings from the internal auditor directly to the Institution's board of directors. The minutes of the meetings of the board of directors shall reflect consideration of these reports and describe any discussion or action taken as a result thereof. The Institution shall submit the program to the FDIC and the Commissioner for review and comment. Within 30 days from the receipt of any such comments from the FDIC and the Commissioner and after due consideration of any recommended changes, the Institution shall approve the program, which approval shall be recorded in the minutes of the meeting of the board of directors. The Institution shall thereafter implement and enforce the program.

7. <u>Control Deficiencies</u>. Within 60 days from the date of this ORDER, the board of directors shall take all reasonable efforts to correct the internal routine and control deficiencies detailed in the Report of Examination. Deficiencies not corrected because of cost or other reasons shall be explained in writing and submitted to the FDIC and the Commissioner for comment. Additional, within 120 days of the effective date of this ORDER, policies and procedures shall be established to prevent the recurrence of any deficiencies noted. The Institution shall submit the policies to the FDIC and the Commissioner for review and comment. Within 30 days from the receipt of any such comments from the FDIC and the Commissioner and after due consideration of any recommended changes, the Institution shall approve the policies, which approval shall be recorded in the minutes of the meeting of the board of directors. The Institution shall thereafter implement and enforce the policies.

8. <u>Violations</u>.

(a) Within 60 days after the effective date of this ORDER, the Institution shall eliminate and/or correct all violations of laws, rules and regulations cited by the FDIC in the Report of Examination. In addition, within 30 days from the effective date of this ORDER, the Institution shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules and regulations.

(b) Within 60 days after the effective date of this ORDER, the Institution shall eliminate and/or correct all contraventions of policy cited in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Institution shall adopt and implement appropriate procedures to ensure future compliance with all applicable policies.

(c) For any violation or contravention that can not be corrected, the Institution shall document the reasons for such failure, which shall be reviewed by the Institution’s board of directors at its next monthly meeting and made a part of its minutes.

9. <u>Strategic Planning</u>.

(a) Within 120 days after the effective date of this ORDER, the Institution shall develop a comprehensive business/strategic plan covering at least an operating period of three years. The plan required by this paragraph shall contain an assessment of the Institution’s current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address short-term goals and operating plans to comply with the terms of this ORDER and correct all regulatory criticisms; intermediate goals and project plans; and long-range goals and project plans. In addition, the plan shall address, at a minimum:

(i) Strategies for pricing policies and asset/liability management;

(ii) The anticipated average maturity and average yield on loans and securities; the average maturity and average cost of deposits; the level of earning assets as a percentage of total assets; and the ratio of net interest income to average earning assets;

(iii) The dollar volume of total loans, total investment securities, and total deposits;

(iv) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(v) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings; and

(vi) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Institution shall submit the strategic plan to the FDIC and the Commissioner for review and comment. Within 10 days of receipt of all such comments from the FDIC and the Commissioner, and after consideration of all such comments, the Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution shall implement and follow the strategic plan.

(d) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Institution’s board of directors shall evaluate the Institution’s performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Institution, in the minutes of the meeting of the board of directors during which such evaluation is undertaken. In the event the board of directors determines that the strategic plan should be revised in any manner, the strategic plan shall be revised and submitted to the FDIC and the Commissioner for review and comment within 30 days after such revisions have been approved by the board of directors. Within 10 days of receipt of all such comments from the FDIC and the Commissioner, and after consideration of all such comments, the Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution shall implement the revised plan.

10. Profit and Budget Plan. Within 30 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop and fully implement a written profit plan consisting of goals and strategies, consistent with sound banking practices, and taking into account the Institution’s other written plans, policies, or other actions as required by this Order. The profit plan and any subsequent modification thereto shall be submitted to the FDIC and the Commissioner for review and comment. No more than 30 days after the receipt of any comment from the FDIC or and the Commissioner, the board of directors shall approve the profit plan which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution, its directors, officers, and employees shall fully implement the profit plan and any subsequently approved modification. The written profit plan shall include, at a minimum:

(a) Identification of the major areas in and means by which the board of directors will seek to improve the Institution's operating performance, including, but not limited to, eliminating preferential interest rates paid on deposits owned by Institution insiders and/or employees of the Institution;

(b) Specific goals to improve the net interest margin, increase interest income, reduce discretionary expenses, and improve and sustain earnings, as well as maintain adequate provisions to the allowance for loan and lease losses;

(c) Realistic and comprehensive budgets for all categories of income and expense items;

(d) A description of the operating assumptions that form the basis for, and adequately support, material projected revenue and expense components;

(e) Coordination of the Institution’s loan, investment, funds management, and operating policies; strategic plan; and allowance for loan and lease loss methodology with the profit and budget planning;

(f) A budget review process to monitor the revenue and expenses of the Institution whereby actual performance is compared against budgetary projections not less than quarterly, recording the results of the evaluation and any actions taken by the Institution in the minutes of the board of directors meeting at which such evaluation is undertaken; and

(g) Individual(s) responsible for implementing each of the goals and strategies of the Profit Plan.

11. <u>Liquidity, Funds Management, Interest Rate Risk and Sensitivity</u>.

(a) Within 90 days from the effective date of this ORDER, the Institution shall review its written funds management policies and plans, and amend each as necessary, to address the criticisms in the Report of Examination and, at a minimum, shall:

(i) Define the asset/liability committee’s membership, responsibilities and authorities, minimum frequency of meetings, reporting from management, and reporting to the board;

(ii) Identify personnel responsible for the funds management functions within the Institution;

(iii) Provide a statement of the Institution's long-term and short-term liquidity needs and plans for insuring that such needs are met;

(iv) Provide for a periodic review of the Institution's deposit structure. Include the volume and trend of total deposits and the volume and trend of the various types of deposits offered, the maturity distribution of time deposits, rates being paid on each type of deposit, rates being paid by trade area competition, caps on large time deposits, public funds, out-of-area deposits, and any other information needed;

(v) Provide for a periodic calculation to determine the extent to which the Institution is funding long-term assets with short-term liabilities;

(vi) Establish parameters for use, volume, and maturities of brokered deposits, deposits obtained through solicitation services, and borrowings;

(vii) Establish limits for the Institution’s ratio of total loans to total assets;

(viii) Establish target percentage levels to which the Institution will reduce the volume of loans and other long-term assets which are funded by potentially volatile liabilities;

(ix) Provide a restriction on borrowing by the Institution to that amount required for seasonal credit needs and to meet deposit withdrawals;

(x) Establish contingency plans by identifying alternative courses of action designed to meet the Institution’s liquidity needs; and

(xi) Address coordination among the Institution's loan, investment, operating, and budget and profit planning policies with the written funds management policy.

(b) Further, within 90 days after the effective date of the ORDER, the Institution shall review, and amend as necessary, the Institution’s written interest rate risk policy. At a minimum, the policy shall include guidelines for the following:

(i) Measures designed to control the nature and amount of interest rate risk the Institution takes, including those that specify risk limits and define lines of responsibilities and authority for managing risk;

(ii) A system for identifying and measuring interest rate risk, including a periodic calculation to measure interest rate risk exposure at various time horizons, and establish target ratios;

(iii) Establish goals and strategies for reducing and managing the Institution's interest rate risk exposure;

(iv) A system for monitoring and reporting risk exposures; and

(v) A system of internal controls, review, and audit to ensure the integrity of the overall risk management process.

(c) The Institution shall submit all Liquidity, Funds Management, Interest Rate Risk and Sensitivity plans and/or policies and any future modifications to the FDIC and the Commissioner for review and comment. Within 10 days of receipt of all such comments from the FDIC and the Commissioner, and after consideration of all such comments, the Institution shall approve the revised policy, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution shall implement and fully comply with the policy. Annually or more frequently thereafter, while this ORDER is in effect, the Institution shall review these policies for adequacy and, based upon the above criteria, shall make necessary revisions to the policies.

12. Minimum Capital Requirements.

(a) The Insured Institution shall achieve and maintain the following minimum capital levels (as defined in Part 325 of the FDIC’s Rules and Regulations), after establishing an adequate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to 7 percent of total assets;

(ii) Tier 1 risk-based capital at least equal to 6 percent of total risk-weighted assets; and

(iii) Total risk-based capital at least equal to 10 percent of total risk-weighted assets.

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

13. Capital Plan.

(a) In the event any of the ratios set forth in paragraph 12 above fall below the required minimum, the board shall, within 15 days thereafter, develop a capital plan that shall be submitted to the FDIC and the Commissioner for review and comment. Within 10 days of receipt of all such comments from the FDIC and the Commissioner, and after consideration of all such comments, the Institution shall approve the revised plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Institution shall implement and fully comply with the capital plan. The board shall review and update the Institution's capital plan on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the FDIC and the Commissioner. At a minimum, the plan shall include:

(i) specific plans to achieve the capital levels required under the plan and this ORDER;

(ii) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of provision 12 of this ORDER;

(iii) projections for asset growth and capital requirements, and such projections shall be based upon a detailed analysis of the Institution's current and projected assets, liabilities, earnings, fixed assets, and off-balance sheet activities, each of which shall be consistent with the Institution’s strategic business plan;

(iv) projections for the amount and timing of the capital necessary to meet the Institution's current and future needs;

(v) the primary source(s) from which the Institution will strengthen its capital to meet the Institution's needs; and

(vi) contingency plans that identify alternative sources of capital should the primary source(s) under (v) above not be available.

(b) The board shall ensure that the Institution has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this provision.

(c) Any increase in capital necessary to meet the requirements of the provisions of this paragraph may be accomplished by the following:

(i) The sale of new securities in the form of common stock;

(ii) The sale of noncumulative perpetual preferred stock;

(iii) The direct contribution of cash by the directors, shareholders, or parent holding company of the Insured Institution; or

(iv) Any other method acceptable to the FDIC and Commissioner and approved in advance in writing by the FDIC and Commissioner.

(d) No increase in Tier 1 capital necessary to meet the requirements of this ORDER may be accomplished through a deduction from the Institution's allowance for loan and lease losses or other reserve accounts. Further, the Institution shall not lend funds directly or indirectly, whether secured or unsecured, to any purchaser of institution or affiliate stock or other securities, or to any investor by any other means for any portion of any increase in capital required herein.

14. Dividend Restrictions. While this ORDER is in effect, the Institution shall not declare or pay any cash dividends without the prior written approval of the FDIC and the Commissioner.

15. Maintenance of Allowance For Loan and Lease Losses. Within 60 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the adequacy of its allowance for loan and lease losses ("allowance"). The policy shall provide for a review of the allowance at least once each calendar quarter and be completed at least 10 days prior to the end of each quarter in order that the results of the review conducted by the Board may be properly reported in the quarterly Reports of Condition and Income. Such reviews shall, at a minimum, include the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the adequacy of the

Institution’s allowance, and any analysis of the Institution’s allowance provided by the FDIC and the Commissioner.

B. BANK SECRECY ACT (BSA COMPLIANCE)

16. <u>BSA Officer and BSA Reporting</u>.

(a) Within 15 days from the effective date of this ORDER, the Institution shall designate a qualified officer ("BSA Officer") responsible for managing, coordinating and monitoring the Institution’s BSA and OFAC compliance programs. The BSA Officer shall have the responsibility and necessary authority to ensure the Institution's compliance with the BSA and OFAC rules and regulations and related matters, including, without limitation, the identification of timely, accurate and complete reporting to law enforcement and supervisory authorities of required currency transactions reports and reports regarding unusual or suspicious activity or known or suspected criminal activity perpetrated against or involving the Institution.

(b) Within 60 days from the effective date of this ORDER, the BSA Officer shall review all high-risk accounts and high-risk transactions, including but not limited to a review of the Institution's large currency transaction reports (“CTRs”), cash purchases of monetary instruments, wire transfer activity, and foreign exchange services for the period January 1, 2006, through the present, and shall prepare and file any additional CTRs and Suspicious Activity Reports (“SARs”) necessary based upon the review. Documentation supporting any determination made pursuant to this paragraph shall be retained in the

Institution's records for such period of time as may be required by any applicable rules or regulations.

(c) Upon completion of the reviews required pursuant to the paragraphs above, the Institution shall submit the findings of the reviews and copies of any additional SARs and CTRs filed to the FDIC and the Commissioner.

17. <u>BSA/AML and OFAC Risk Assessments</u>.

(a) Within 30 days from the effective date of this ORDER, the Institution shall perform a comprehensive assessment of the vulnerability of its banking operations to attempts to launder money, finance terrorism, or conduct other criminal activities (“BSA/Anti-Money Laundering (“AML”) risk assessment”). The BSA/AML risk assessment may be performed by qualified Institution personnel or an independent contractor/consultant acceptable to the FDIC and the Commissioner. The BSA/AML risk assessment shall weigh all relevant factors, including identification and measurement of the specific risk characteristics of the Institution’s products, services, customers, transactions, and geographic locations.

(b) Within 30 days from the effective date of this ORDER, the Institution shall perform a comprehensive assessment of its OFAC risk profile (“OFAC risk assessment”). The OFAC risk assessment may be performed by qualified Institution personnel or an independent contractor/consultant acceptable to the FDIC and the Commissioner. The OFAC risk assessment shall consider the Institution’s specific product lines, customer base, nature of transactions, and identification of high-risk areas for OFAC transactions.

(c) The Institution shall review and update its BSA/AML risk assessment and its OFAC risk assessment at least annually.

(d) The initial BSA/AML and OFAC risk assessments and subsequent updates shall be reported to and reviewed by the Institution’s board of directors, which shall be recorded in the minutes of the board of directors.

18. BSA/AML Compliance Program.

(a) Within 60 days from the effective date of this ORDER, the Institution shall develop, adopt, and implement a revised, written BSA/AML compliance program designed to ensure compliance with the BSA, including the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56, 115 Stat. 272 (2001) (“USA PATRIOT Act”). The BSA/AML compliance program shall be tailored to address the risk profile of the Institution identified in the BSA/AML risk assessment required by paragraph 17 above. The BSA/AML compliance program shall address all requirements of section 326.8 of the FDIC Rules and Regulations, 12 C.F.R. § 326.8. Additionally, it shall:

(i) provide for BSA training of all appropriate Institution employees and the Institution’s board of directors;

(ii) detail the scope and manner of independent testing of the Institution’s BSA/AML compliance program and require such testing on a regular basis;

(iii) provide for an effective system of internal controls to ensure ongoing compliance with the BSA, including, at a minimum, steps designed to:

(A) ensure that all required reports are completed accurately and in a timely manner; and

(B) verify that accurate records are maintained to comply with recordkeeping requirements regarding loans, deposits, wire transfers, and monetary instrument sales;

(iv) define recordkeeping requirements regarding the wire transfer function and Institution procedures regarding international wire transfer activity; and

(v) establish policies and procedures to identify and monitor higher risk accounts.

(b) The BSA/AML compliance program (and any subsequent modification) shall be submitted to the FDIC and the Commissioner for review and comment. No more than 30 days after receipt of any comments from the FDIC and the Commissioner, and after consideration of such comments, the board of directors shall approve the BSA/AML compliance program (or any subsequent modification), which approval shall be recorded in the minutes of the board of directors. Thereafter, the Institution and its institution-affiliated parties shall implement and follow the BSA/AML compliance program (or any properly approved subsequent modification).

19. OFAC Compliance Program.

(a) Within 60 days from the effective date of this ORDER, the Institution shall develop, adopt and implement a revised, written program and procedures to ensure compliance with outstanding OFAC sanctions ("OFAC compliance program"). The OFAC compliance program shall be tailored to address the OFAC risk profile of the Institution identified in the OFAC risk assessment required by paragraph 17 above. The OFAC compliance program shall address all requirements of applicable OFAC guidance, including:

(i) identifying and monitoring high-risk areas;

(ii) providing for appropriate internal controls for screening and reporting;

(iii) establishing independent testing for compliance;

(iv) designating an Institution employee or employees as responsible for OFAC compliance; and

(v) creating training programs for the board of directors and appropriate personnel in all relevant areas of the Institution.

(b) The OFAC compliance program (and any subsequent modification) shall be submitted to the FDIC and the Commissioner for review and comment. No more than 30 days after receipt of any comments from the FDIC and the Commissioner, and after consideration of such comments, the board of directors shall approve the OFAC compliance program (or any subsequent modification), which approval shall be recorded in the minutes of the board of directors. Thereafter, the Institution and its institution-affiliated parties shall implement and follow the OFAC compliance program (or any properly approved subsequent modification).

20. <u>Independent Testing</u>.

(a) Within 90 days, the Institution shall independently test its revised BSA/AML and OFAC compliance programs to ensure proper controls are in place and are effective. Independent testing shall be completed on a periodic basis by a qualified individual or entity independent of the Institution's BSA and OFAC compliance programs. The independent testing shall be conducted in compliance with the FDIC's "Guidelines for Monitoring Bank Secrecy Act Compliance" and shall include:

(i) an evaluation of the overall integrity and effectiveness of the BSA/AML compliance program, including policies, procedures, and processes;

(ii) a review of the Institution's BSA/AML risk assessment for reasonableness given the Institution's risk profile (products, services, customers, and geographic locations);

(iii) an appropriate transaction testing to verify the Institution's adherence to the BSA recordkeeping and reporting requirements, including SARs, CTRs, CTR exemptions, and customer identification program;

(iv) an evaluation of management's efforts to resolve violations and deficiencies noted in previous audits and regulatory examinations, including progress in addressing outstanding supervisory actions, if applicable;

(v) a review of staff training for adequacy, accuracy, and completeness;

(vi) a review of the effectiveness of the suspicious activity monitoring systems (manual, automated, or a combination) used for BSA compliance and related reports which may include, but are not limited to:

(A) suspicious activity monitoring reports;

(B) large currency aggregation reports;

(C) monetary instrument records;

(D) funds transfer records;

(E) nonsufficient funds (NSF) reports;

(F) large balance fluctuation reports; and

(G) account relationship reports.

(vii) an assessment of the overall process for identifying and reporting suspicious activity, including a review of filed or prepared SARs to determine their accuracy, timeliness, completeness, and effectiveness of the Institution’s policy.

(b) The independent auditor shall document the audit scope, procedures performed, transaction testing completed, and findings of the review. All audit documentation and workpapers shall be retained and made available for examiner review. Any violations, policy or procedures exceptions, or other deficiencies noted during the independent testing should be included in an audit report and reported to the board of directors or a designated committee in a timely manner and the board shall record the steps taken to correct any exceptions noted and/or address any recommendations in the minutes of the board of directors’ meeting.

21. Suspicious Activity Reports. Within 30 days from the effective date of this ORDER, the Institution shall establish policies and procedures reasonably designed to identify and report suspicious activities ("SAR policies"). At a minimum, the SAR policies shall satisfy the requirements of Part 353 of the FDIC's Rules and Regulations, 12 C.F.R. Part 353, and shall be reasonably designed to identify misconduct from both internal and external sources. The Institution shall submit the SAR policies to the FDIC and the Commissioner for review and comment. Within 10 days of receipt of any comments from the FDIC and the Commissioner, and after consideration of such comments, the Institution shall approve the SAR policies, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Institution shall implement and fully comply with the SAR policies. The SAR policies shall be reviewed, revised as appropriate, and approved by the board of directors on an annual basis, or more frequently as appropriate.

22. Training Programs. Within 60 days from the effective date of this ORDER, the Institution shall enhance and update its training program to provide for periodic training for Institution personnel and appropriate recordkeeping to document such training. The Institution's training program shall ensure that all appropriate Institution personnel have information and knowledge of, and can comply with, the requirements of the BSA, the financial recordkeeping regulations of the U. S. Department of the Treasury, USA PATRIOT Act, OFAC guidelines, and the Institution's polices and procedures relating to such laws, regulations, and guidelines. The Institution's training program shall also ensure that Institution management, including the BSA Officer and the board of directors, are fully informed of any changes or developments in these laws, regulations, and guidelines and the Institution’s responsibility for full compliance therewith.

23. Customer Identification Program.

(a) Within 60 days of the effective date of this ORDER, the Institution shall develop, adopt, and implement a revised, written Customer Identification Program designed to ensure compliance with 31 C.F.R. Part 103.121 of the Department of the Treasury's Financial Recordkeeping and Reporting Regulations.

(b) The Customer Identification Program (and any subsequent modification) shall be submitted to the FDIC and the Commissioner for review and comment. Within 30 days from receipt of any comment from the FDIC and the Commissioner, and after due consideration of any recommended changes, the Institution shall approve the program, with its approval recorded in the minutes of the board of directors meeting. Thereafter, the Institution shall implement and fully comply with the program.

24. Information Sharing Between Federal Law Enforcement Agencies and Financial Institutions. Within 60 days of the effective date of this ORDER, the Institution shall search required records pursuant to 31 C.F.R. Part 103.100 of the Department of the Treasury's Financial Recordkeeping and Reporting Regulations. Required records shall be searched based on information requests from the Financial Crimes Enforcement Network (FinCEN) for the preceding 12 months of the effective date of this ORDER and going forward. If the Institution identifies an account or transaction identified with any individual, entity, or organization named in a request from FinCEN, it shall report to FinCEN, in the manner and in the time frame specified in FinCEN's request, the information required per 31 C.F.R. Part 103.100.

C. INFORMATION TECHNOLOGY MATTERS

25. IT Committee. A committee will be established that will meet at least monthly until all provisions of Subpart C of this ORDER are adequately addressed. The committee will discuss pertinent IT related matters as dictated by the board. At a minimum, the designated committee should develop and monitor IT-related strategic planning initiatives; address the identification, acquisition, implementation, and maintenance of IT solutions; implement and oversee a formal vendor management program; coordinate the development of applicable policies and procedures; and monitor progress in rectifying audit and/or examination exceptions. The committee shall maintain written minutes of its meetings and provide them to the board for monthly discussion and review. In accordance with 12 C.F.R. Part 364, the Institution shall assess the effectiveness of its information security program at least annually.

26. Overall Risk Assessment and Audit Program. Within 120 days of the effective date of this ORDER, and in conjunction with the requirements of paragraph 6 of this ORDER, the Institution shall perform an overall risk assessment and formulate an effective audit program based on the results. Specifically, the program shall provide that all identified high risk areas are provided sufficient coverage by the audit program with special emphasis on the information technology department and internal routines and controls. The audit program shall identify the scope, frequency, and types of audits to be performed. The program shall include provisions for reporting, monitoring, and resolving audit and/or regulatory findings.

27. Information Security Program. Within 120 days, the Institution shall develop a written information security program that includes administrative, technical, and physical safeguards for protecting the confidentiality, integrity, and availability of consumer information. The written information security program shall meet the requirements and criteria found in Appendix B to Part 364 of the FDIC's Rules and Regulations.

28. IT Policies. Within 120 days of the effective date of this ORDER, the Institution shall develop comprehensive IT policies and procedures that define specific physical, logical, and administrative controls for each critical process/platform identified within the technology Risk Assessment. Additionally, the Institution shall develop specific policies to address patch management, vendor management, and Internet banking activities.

29. Business Continuity Plan. Within 150 days of the effective date of this ORDER, the Institution will amend the business continuity plan to include all critical business systems as supported by a comprehensive risk assessment and business impact analysis. As part of the business continuity plan, the Institution shall develop comprehensive emergency preparedness and incident response procedures. Immediately following the revision of the business continuity plan, the Institution will perform a test or validation of the modified plan.

30. IT Reports. Within 120 days from the effective date of this ORDER, the Institution will identify all audit, security, management, exception, and maintenance reports available across all of its IT systems and functions. The Institution shall document an assessment determining which reports should be reviewed, who should conduct the reviews, the appropriate frequency of reviews, and the appropriate report retention schedules. The Institution will implement the report review assessment within 60 days from the effective date of this ORDER.

31. Correction of Deficiencies. Within 120 days from the effective date of this ORDER, the Institution shall correct each IT deficiency detailed in the FDIC Report of Examination. The board shall record in its minutes the actions taken by the Institution to address each such IT deficiency.

D. ADMINISTRATIVE COMPLIANCE MATTERS

32. Shareholder Disclosure. Following the effective date of this ORDER, the Institution shall provide to its shareholders or otherwise furnish a description of this ORDER, (i) in conjunction with the Institution's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Institution's next shareholder meeting. The description shall fully describe the ORDER in all material respects.

33. Progress Reports.

(a) Within 40 days of the end of the first quarter following the effective date of this ORDER, and within 40 days of the end of each quarter thereafter, the Institution shall furnish written progress reports to the FDIC and the Commissioner detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Institution’s progress toward achieving compliance with each provision of the ORDER, including appropriate supporting documentation.

(b) Progress reports may be discontinued when the FDIC and Commissioner have, in writing, released the Institution from making additional reports.

34. Effective Date and Binding Effect. The effective date of this ORDER shall be immediately upon its issuance by the FDIC.

The provisions of this ORDER shall be binding upon the Institution, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority

Dated: January 3, 2007

By: ________________________________

Thomas J. Dujenski
Deputy Regional Director
FDIC, Kansas City Regional Office