

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

OKLAHOMA STATE BANKING DEPARTMENT
OKLAHOMA CITY, OKLAHOMA

Written Agreement by and among

FREEDOM BANK OF OKLAHOMA
Tulsa, Oklahoma

FEDERAL RESERVE BANK OF
KANSAS CITY
Kansas City, Missouri

and

OKLAHOMA STATE BANKING
DEPARTMENT
Oklahoma City, Oklahoma

Docket No. 13-010-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Freedom Bank of Oklahoma, Tulsa, Oklahoma (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Kansas City (the “Reserve Bank”), and the Oklahoma State Banking Department (“Department”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on April 16, 2013, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Martha Hoffman, to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit

Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, the Reserve Bank, and the Department agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the Department a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s condition and maintain effective control over, and supervision of, the Bank’s senior management and major operations and activities, including, but not limited to, credit risk management, lending and credit administration, asset quality, liquidity, capital, and earnings;

(b) the responsibility of the board of directors to monitor management’s adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures;

(c) actions the board of directors will take to develop a management succession plan in order to attract and retain qualified senior management at the Bank;

(d) the hiring of a chief credit officer with appropriate expertise in lending and collection activities; and

(e) steps to enhance the information and reports that will be regularly reviewed by the board of directors in its oversight of the operations and management of

the Bank, including information on the Bank's problem assets, concentrations of credit, exceptions to loan policies, other real estate owned ("OREO"), allowance for loan and lease losses ("ALLL"), capital, earnings, and liquidity.

Credit Risk Management

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to strengthen credit risk management practices. The plan shall, at a minimum, address, consider, and include:

- (a) The actions that the board of directors will take to improve internal controls and oversight of the Bank's lending function; and
- (b) strategies to minimize credit losses and reduce the level of problem assets.

Lending and Credit Administration

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written enhanced lending and credit administration program that shall, at a minimum, address, consider, and include:

- (a) Loan underwriting and credit administration procedures that include and provide for, at a minimum, documented analysis at underwriting and periodic updating of: (i) the borrower's repayable sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;
- (b) steps to ensure compliance with loan documentation and collateral requirements to minimize exceptions;

(c) enhanced monitoring by management and reporting to the board of directors of lending concentrations to include loan types, property types, and geographical locations; and

(d) standards for the timely movement of loans to non-accrual status, and supporting documentation for loans identified as problem loans that have not been moved to non-accrual status by the Bank; and

(e) revised collections procedures.

4. Within 60 days of this Agreement, the Bank shall take all steps necessary to correct the documentation and credit information deficiencies in the Bank's loan files identified in the report of the examination conducted by the Reserve Bank and the Department that commenced on September 24, 2012 (the "Report of Examination"). In all cases where the Bank is unable to obtain needed documentation or credit information, the Bank shall document the actions taken to secure the information and the reasons the information could not be obtained. The Bank shall maintain this documentation in the related credit file for supervisory review.

Asset Improvement

5. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the Report of Examination, or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that: (i) the Bank's risk management policies and

practices for loan workout activity are acceptable; (ii) the extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection; (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured, and all necessary loan documentation has been properly and accurately prepared and filed; (iv) the Bank has performed a comprehensive credit analysis indicating that the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 215.2(n)).

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, relationship, or other asset in excess of \$100,000, including OREO, that is past due as to principal or interest more than 90 days as of the date of this

Agreement, is on the Bank's problem loan list, or was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$100,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to improve the Bank's position on such loan, relationship, or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Department to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and the Department and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

7. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the Department.

(b) The Bank shall maintain a sound process for determining, documenting, and recording an adequate ALLL in accordance with regulatory reporting

instructions and relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17).

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written program for the continued maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL.

(d) During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Department, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

8. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department an acceptable written plan to maintain sufficient capital at the

Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, to include:

(a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, projected earnings, and anticipated and contingency funding needs; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

9. The Bank shall notify the Reserve Bank and the Department, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable written plan that details the steps the Bank will take to increase the Bank's capital ratios to or above the approved capital plan's minimums.

Funds Management and Interest Rate Risk

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department:

(a) An acceptable written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning; and

(b) an acceptable plan to enhance the Bank's interest rate risk management policy and practices to address deficiencies noted in the Report of Examination. The plan shall, at a minimum, address, consider, and include appropriate parameters governing the economic risk to the Bank's capital due to changes in interest rates, and the interagency guidance on Interest Rate Risk dated January 11, 2010 (SR 10-1).

Dividends and Distributions

11. (a) The Bank shall not declare or pay any dividends or any other form of payment representing a reduction in capital without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Department.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323). All requests for prior approval shall be received by the Reserve Bank and the Department at least 30 days prior to the proposed dividend declaration date and shall contain, at a minimum, current and projected information on earnings, capital, asset quality, and loan loss reserve needs of the Bank, as well as the source of funding for the proposed dividend.

Earnings Plan and Budget

12. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Department a written business plan for the remainder of 2013 to

improve the Bank's earnings and overall condition. The plan, at a minimum, shall provide for or describe:

- (i) a realistic and comprehensive budget for the remainder of 2013, including income statement and balance sheet projections;
- (ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components; and
- (iii) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) A business plan and budget for each calendar year subsequent to 2013 shall be submitted to the Reserve Bank and the Department at least 30 days prior to the beginning of that calendar year.

Compliance with Laws and Regulations

13. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall obtain the Department's approval and comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*). The Bank shall not appoint any individual to the Bank's board of directors or employ or change the responsibilities of any individual as a senior executive officer if the Reserve Bank or the Department notifies the Bank of disapproval.

(b) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Compliance with the Agreement

14. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank and the Department written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans and Program

15. (a) The Bank shall submit written plans and programs that are acceptable to the Reserve Bank and the Department within the applicable time periods set forth in paragraphs 2, 3, 6(a), 6(b), 7(c), 8, 9, 10(a), and 10(b) of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Department, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Department.

Communications

16. All communications regarding this Agreement shall be sent to:

- (a) Mr. Todd A. Offenbacher
Vice President
Federal Reserve Bank of Kansas City
1 Memorial Drive
Kansas City, Missouri 64198
- (b) Mr. Mick Thompson
Bank Commissioner
Oklahoma State Banking Department
2900 N. Lincoln Blvd.
Oklahoma City, Oklahoma 73105
- (c) Mr. Warren Smith
Chairman
Freedom Bank of Oklahoma
P.O. Box 6538
Tulsa, Oklahoma 74156

Miscellaneous

17. Notwithstanding any provision of this Agreement, the Reserve Bank and the Department may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

18. The provisions of this Agreement shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

19. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Department.

20. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Department, or any other federal or state

agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

21. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 16th day of April, 2013.

FREEDOM BANK OF
OKLAHOMA

FEDERAL RESERVE BANK
OF KANSAS CITY

By: /s/ Martha Hoffman
Martha Hoffman
President

By: /s/ Todd A. Offenbacher
Todd A. Offenbacher
Vice President

OKLAHOMA STATE BANKING
DEPARTMENT

By: /s/ Dudley Gilbert
Dudley Gilbert
Deputy Commissioner