

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

Written Agreement by and between  
PRAIRIE STAR BANCSHARES, INC.  
Olathe, Kansas

and

FEDERAL RESERVE BANK OF  
KANSAS CITY  
Kansas City, Missouri

Docket No. 10-246-WA/RB-HC

WHEREAS, Prairie Star Bancshares, Inc., Olathe, Kansas (“Prairie Star”), a registered bank holding company, owns and controls Bank of the Prairie, Olathe, Kansas (the “Bank”), a state-chartered nonmember bank;

WHEREAS, it is the common goal of Prairie Star and the Federal Reserve Bank of Kansas City (the “Reserve Bank”) to maintain the financial soundness of Prairie Star so that Prairie Star may serve as a source of strength to the Bank;

WHEREAS, Prairie Star and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 22, 2010, the board of directors of Prairie Star, at a duly constituted meeting, adopted a resolution authorizing and directing Robert Wiley to enter into this Agreement on behalf of Prairie Star, and consenting to compliance with each

and every provision of this Agreement by Prairie Star and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Prairie Star and the Reserve Bank agree as follows:

### **Source of Strength**

1. The board of directors of Prairie Star shall take appropriate steps to fully utilize Prairie Star’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Kansas Office of the State Bank Commissioner and the Federal Deposit Insurance Corporation (the “FDIC”) on August 26, 2010, and any other supervisory action taken by the Bank’s federal or state regulator.

### **Dividends and Distributions**

2. (a) Prairie Star shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the “Director”).

(b) Prairie Star shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Prairie Star and its nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Prairie Star's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Prairie Star must also demonstrate that the requested declaration or payment of dividends is 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).

#### **Debt and Stock Redemption**

3. (a) Prairie Star and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Prairie Star shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

#### **Cash Flow Projections**

4. Within 60 days of this Agreement, Prairie Star shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2011. Prairie Star shall submit to the Reserve

Bank a Cash Flow Projection for each calendar year subsequent to 2011 at least one month prior to the beginning of that calendar year.

### **Affiliate Transactions**

5. (a) Prairie Star shall take all necessary action to ensure that the Bank complies with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Bank and its affiliates, including, but not limited to, Prairie Star, and its nonbank subsidiaries.

(b) Prairie Star shall not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act or Regulation W of the Board of Governors.

### **Allowance for Loan and Lease Losses**

6. (a) Within 60 days of this Agreement, Prairie Star shall establish an ALLL methodology for loans held by Prairie Star, consistent with 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) and the findings and recommendations regarding the ALLL set forth in the report of the inspection of Prairie Star conducted by the Reserve Bank, dated October 14, 2010. Prairie Star shall submit a description of the methodology to the Reserve Bank upon adoption.

(b) Within 60 days of this Agreement, Prairie Star shall submit to the Reserve Bank an acceptable written program for maintenance of an adequate ALLL for loans held by Prairie Star. 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 any required regulatory reports, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by in determining the adequacy of the ALLL. During the term of this Agreement, Prairie Star shall submit to the Reserve Bank, 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.

### **Compliance with Laws and Regulations**

7. (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, Prairie Star shall 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.*).

(b) Prairie Star 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 FDIC's regulations (12 C.F.R. Part 359).

### **Progress Reports**

8. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

## **Communications**

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

(a) Ms. Susan E. Zubradt  
Vice President  
Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198

(b) Mr. Robert Wiley  
President  
Prairie Star Bancshares, Inc.  
18675 West 151<sup>st</sup> Street  
Olathe, Kansas 66062

## **Miscellaneous**

10. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Prairie Star to comply with any provision of this Agreement.

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

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

13. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Prairie Star, the Bank, any nonbank subsidiary of Prairie Star, or any of their current or former institution-affiliated parties and their successors and assigns.

14. 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 22<sup>nd</sup> day of December, 2010.

PRAIRIE STAR BANCSHARES, INC.

FEDERAL RESERVE BANK  
OF KANSAS CITY

By: /s/ Robert Wiley  
Robert Wiley  
President

By: /s/ Susan E. Zubradt  
Susan E. Zubradt  
Vice President