

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

Written Agreement by and between

RATON CAPITAL CORPORATION
Raton, New Mexico

and

FEDERAL RESERVE BANK OF
KANSAS CITY
Kansas City, Missouri

Docket No. 15-021-WA/RB-HC

WHEREAS, Raton Capital Corporation, Raton, New Mexico (“Raton”), a registered bank holding company, owns and controls International Bank, Raton, New Mexico (the “Bank”), a state-chartered nonmember bank, and a nonbank subsidiary;

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

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

WHEREAS, on July 6, 2015, the board of directors of Raton, at a duly constituted meeting, adopted a resolution authorizing and directing Ronald L. Schmeits to enter into this Agreement on behalf of Raton, and consenting to compliance with each and every provision of this Agreement by Raton.

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

Source of Strength

1. The board of directors of Raton shall take appropriate steps to fully utilize Raton's financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. § 1831o-1 and 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 issued jointly by the Federal Deposit Insurance Corporation ("FDIC") and the New Mexico Financial Institutions Division dated December 16, 2014, and any other supervisory action taken by the Bank's federal or state regulators.

Dividends, Distributions and Other Payments

2. (a) Raton 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 (the "Director") of the Board of Governors.

(b) Raton 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) Raton and its nonbank subsidiary 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 Raton'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, Raton 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).

Restrictions on Compensation

3. (a) Raton shall not, directly or indirectly, increase the salaries, directors fees, or bonuses of, or make any other payments, including, but not limited to, the payment of fees (other than current directors fees), indebtedness, or discretionary expenses or reimbursements, to or on behalf of any of its officers and directors, their immediate family members, as defined in section 225.41(b)(3) of Regulation Y of the Board of Governors (12 C.F.R. §225.41(b)(3)), or their related interest, as defined in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. 215.2(n)), without the prior written approval of the Reserve Bank.

(b) All requests for prior approval shall contain, but not be limited to, the proposed amount of increase or payment, the source of funding for the proposed increase or payment, the benefits to be derived by Raton, and other pertinent materials in order to assist in the review of the proposal.

(c) Raton shall not make any bonus payments to any of its officers or directors without prior review and approval of the board of directors. In reviewing the proposed bonus payment, the board of directors shall determine if the bonus payment is: (i) consistent with safe and sound banking practices and applicable law, regulations, and guidelines; (ii) related to the services actually rendered to Raton; (iii) justified based on the performance, financial condition,

and future prospects of Raton and the Bank; and (iv) paid in accordance with the duties, responsibilities, and obligations of Raton's officers and directors. Written documentation to support the board of directors' determination shall be retained for supervisory review.

Debt and Stock Redemption

4. (a) Raton and its 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) Raton 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

5. Within 60 days of this Agreement, Raton shall submit to the Reserve Bank a written statement of Raton's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2015. Raton shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2015 at least one month prior to the beginning of that calendar year.

Compliance with Laws and Regulations

6. (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, Raton 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) Raton 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

7. Within 45 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

8. 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. Ronald L. Schmeits
Vice President and Assistant Secretary
Raton Capital Corporation
200 South 2nd Street
Raton, New Mexico 87740

Miscellaneous

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

10. The provisions of this Agreement shall be binding upon Raton and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

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

12. 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 Raton, the Bank, the nonbank subsidiary of Raton, or any of their current or former institution-affiliated parties and their successors and assigns.

13. 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 10th day of July, 2015.

RATON CAPITAL CORPORATION

FEDERAL RESERVE BANK
OF KANSAS CITY

By: /s/ Ronald L. Schmeits
Ronald L. Schmeits
Vice President and Assistant Secretary

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