

UNITED STATES OF AMERICA  
BEFORE  
THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.  
AND  
OKLAHOMA STATE BANKING DEPARTMENT  
OKLAHOMA CITY, OKLAHOMA

Written Agreement by and among )  
)  
HERITAGE BANCORP COMPANY, INC. )  
Cleveland, Oklahoma )  
)  
FIRST BANK OF CLEVELAND )  
Cleveland, Oklahoma )  
)  
FEDERAL RESERVE BANK OF )  
KANSAS CITY )  
Kansas City, Missouri )  
)  
and )  
)  
OKLAHOMA STATE BANKING )  
DEPARTMENT )  
Oklahoma City, Oklahoma )  
)

Docket Nos. 99-023-WA/RB-BHC  
99-023-WA/RB-SM

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Heritage Bancorp Company, Inc., Cleveland, Oklahoma ("Bancorp"), a registered bank holding company, and its subsidiary bank, the First Bank of Cleveland, Cleveland, Oklahoma (the "Bank"), a State chartered bank that is a member of the Federal Reserve System, the Federal Reserve Bank of Kansas City (the "Reserve Bank"), the Oklahoma State Banking Department, Oklahoma City, Oklahoma (the "State"), Bancorp and the Bank have mutually agreed to enter into this Written Agreement (the "Agreement");

WHEREAS, this Agreement is being executed in accordance with the Rules Regarding Delegation of Authority of the Board of Governors of the Federal Reserve System (the "Board of Governors"), specifically 12 C.F.R. 265.11(a)(15), and the Reserve Bank has received the prior approval of the Director of the Division of Banking Supervision and Regulation (the "Director") and the General Counsel of the Board of Governors to enter into this Agreement with Bancorp and the Bank; and

WHEREAS, on Oct. 21, 1999, the boards of directors of Bancorp and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Tom R. Lunsford to enter into this Agreement on behalf of Bancorp and the Bank, respectively, and consented to compliance with each and every provision of this Agreement by Bancorp and the Bank and their institution-affiliated parties, as defined in section 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, before the taking of any testimony or adjudication of, or finding on any issue of fact or law herein, and without this Agreement constituting an admission of any allegation made or implied by the Board of Governors or the State, and solely for the purpose of settling this matter without further proceedings, Bancorp, the Bank, the Reserve Bank and the State agree as follows:

#### DIVIDENDS

1. Bancorp and the Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director and the State. Requests for approval shall be

received by the Reserve Bank and the State at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, information on the amount proposed to be paid; Bank earnings and capital levels for the most recent annual period and the fiscal year to date, and an analysis of the proposed dividend in light of the Board of Governors's Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985, and Appendix C to Regulation Y--Small Bank Holding Company Policy Statement (12 C.F.R. 225 Appendix C).

#### DEBT SERVICE

2. Bancorp shall not, directly or indirectly, without the prior written approval of the Reserve Bank:

(a) Increase its borrowings or incur any additional debt, including debt to stockholders; or

(b) purchase or redeem any of its stock or make, affirm, or ratify any commitment to purchase or redeem any of its stock.

#### CAPITAL

3. Within 90 days of this Agreement, Bancorp and the Bank shall submit to the Reserve Bank and the State an acceptable joint written plan to improve the current capital position of the Bank and, thereafter, to maintain a sufficient capital position. The plan shall, at a minimum, address and consider:

(a) The Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines of the Board of Governors for State Member Banks: Risk-Based Measures and Tier 1 Leverage Measure (12 C.F.R. Part 208, Appendix A and B);

(b) the volume of the Bank's adversely classified assets;

(c) the Bank's anticipated levels of retained earnings;

(d) the adequacy of the Bank's loan loss reserves and its effect on the Bank's financial condition;

(e) the source and timing of additional funds to fulfill the future capital and the loan loss reserve requirements set forth in this Agreement; and

(f) procedures for the Bank to notify the Reserve Bank and the State, in writing, within 10 days of the end of any calendar quarter that the Bank's tier 1 leverage ratio falls below 4 percent, and to submit to the Reserve Bank and the State an acceptable written plan detailing the steps the Bank will take to increase its tier 1 leverage ratio to no less than 4 percent within 30 days.

## RISK MANAGEMENT

4. Within 75 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written plan to establish and maintain effective risk management programs to address board oversight, control, and supervision of the Bank's senior management and the major operations and activities of the Bank. The plan shall address and consider, at a minimum:

(a) Credit administration practices, policies and staffing including, but not limited to, loan underwriting, documentation, and approval, monitoring of concentrations of credit, problem loan identification, compliance with laws and regulations and independent loan review; and

(b) corrective steps that are responsive to the criticisms of the Bank's current internal controls procedures as set forth in the Reserve Bank's and the State's May 11, 1999 Report of Examination (the "Report of Examination") including, but not limited to, procedures for reporting law violations and suspicious activities in accordance with the requirements of section 208.62 of Regulation H of the Board of Governors (12 C.F.R. 208.62).

## OUTSIDE DIRECTORS

5. (a) Within 75 days of this Agreement, the boards of directors of Bancorp and the Bank shall submit to the Reserve Bank and the State a joint plan to significantly increase the number of their respective outside directors and shall report quarterly to the Reserve Bank and the State on their efforts to secure new outside directors.

(b) For the purposes of this Agreement, the term (i) "outside director" shall be defined as a director who is not (A) an employee or executive officer of the Bank, or a direct or indirect owner of 5 percent or more of any class of the outstanding shares of the Bank or Bancorp, or indebted, directly or indirectly, or has a related interest that is indebted, directly or indirectly, to Bancorp or the Bank in an amount exceeding 5 percent of the Bank's capital and reserves, or (B) is not related by blood or marriage to any person described in paragraph 5(b)(i)(A) hereof; (ii) "executive officer" shall be defined as set forth in section 215.2(e) of Regulation O of the Board of Governors (12 C.F.R. 215.2(e)); and (iii) "related interest" shall be defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. 215.2(n)).

#### MANAGEMENT EMPLOYMENT

6. (a) Within 60 days of this Agreement, the Bank shall take such actions as are necessary to employ a permanent full-time lending officer with demonstrated experience in monitoring and collecting loans similar to those in the Bank's portfolio.

(b) During the term of this Agreement or as otherwise required by law, Bancorp and the Bank shall comply with the 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. Part 225, Subpart H) with respect to the appointment of any new directors or the hiring or promotion of any executive officers as defined in section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. 215.2(e)(1)).

## MANAGEMENT REVIEW

7. Within 90 days of this Agreement, the Bank's board of directors shall conduct a review of the functions and performance of the officers of the Bank, and shall forward to the Reserve Bank and the State its written findings and conclusions along with a written description of any management changes that may be proposed as a result of the review. The review shall focus on an assessment of the duties performed by each officer and the ability of each officer to perform competently his or her assigned duties, including adherence to the Bank's policies and procedures. The primary purpose of this review shall be to aid in the development of a management structure that is suitable to the Bank's needs and is adequately staffed by qualified and trained personnel. At a minimum, the qualifications of management shall be assessed for its ability to (a) restore and maintain all aspects of the Bank to a safe and sound condition, and (b) comply with the requirements of this Agreement.

8. Within 90 days of this Agreement, and thereafter semi-annually, the Bank's board of directors shall review management's adherence to the Bank's written policies and procedures and shall prepare written findings and conclusions of this review along with written descriptions of any management or operational changes that are made as a result of the review. These written findings shall be included in the minutes of the board of directors.

## ASSET QUALITY AND RESERVES

9. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge off or collection, all assets or portions of assets classified "loss" in the Report of Examination, which have not been previously collected in full or charged off.

(b) Within 30 days of this Agreement, the Bank shall establish, and shall thereafter continue to maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of weighted classified loans, the current level of nonperforming loans, past loss experience, evaluation of the potential for loan losses in the Bank's portfolio, current economic conditions and examiners' other criticisms contained in the Report of Examination, and the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated December 21, 1993. A written record shall be maintained indicating the methodology used to determine the minimum amount of reserve needed, which shall be submitted to the Reserve Bank and the State for review within 30 days of this Agreement. Thereafter, the Bank shall conduct, at a minimum, a quarterly assessment of its loan loss reserve and its nonperforming loans and shall submit documentation of each quarterly assessment to the Reserve Bank and the State within 30 days of the end of each quarter.

#### PROBLEM CREDITS

10. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written plan designed to improve the Bank's position on each loan in excess of \$75,000 that was past due as to principal or interest more than 90 days as of the date of this Agreement, and on each asset in excess of \$75,000, including other real estate, adversely classified or listed as special mention in the Report of Examination, through amortization, repayment, liquidation, additional collateral or other means, whichever may be appropriate. This plan shall not be amended or rescinded without the prior written approval of the Reserve Bank and the State, except that the plan shall be amended periodically to cover loans or other assets in

excess of \$75,000 that have been adversely classified or listed for special mention in any subsequent report of examination or visitation of the Bank or loans that are past due as to principal or interest for more than 90 days as of the date of each subsequent examination or visitation. Amended plans based on loans or other assets that are classified or listed for special mention or overdue in subsequent examinations or visitations shall be submitted to the Reserve Bank and the State with the next progress report, as required by paragraph 28 hereof, following each subsequent examination or visitation.

11. The Bank shall not, directly or indirectly: (a) extend any additional credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated in any manner to the Bank on any extension of credit or portion thereof that has been charged-off by the Bank or classified "loss" or "doubtful" in the Report of Examination or in any subsequent report of examination as long as such credit remains uncollected; or (b) extend any additional credit to any borrower whose line of credit has been classified "substandard" in the Report of Examination or in any subsequent report of examination, without the prior approval of the board of directors who shall document the reasons for the additional advances, specifically certifying that (i) the additional extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted; or (ii) the additional credit is in full compliance with the Bank's written loan policy and is adequately secured and that (A) a thorough credit analysis has been performed indicating that the additional extension of credit is reasonable and justified, (B) all necessary loan documentation has been properly and accurately prepared and filed, (C) the additional extension will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and (D) the board of directors reasonably believes that the additional

extension of credit will be repaid according to its terms. The written certification, together with the credit analysis and related information that was used in the determination, shall be maintained by the Bank for subsequent supervisory review.

12. (a) Within 10 days of this Agreement, the Bank shall place on nonaccrual all loans listed for nonaccrual in the Report of Examination for which interest has not been previously collected in full.

(b) Thereafter, the Bank shall not: (i) accrue interest on any loan past due in principal or interest payment 90 days or more unless the loan is both well secured and in process of collection; (ii) add uncollected interest to the unpaid balance of any loan on which interest is due unless supported by additional tangible collateral which adequately secures the loan; (iii) accept a separate note for uncollected interest due on any loan unless supported by additional tangible collateral which adequately secures the loan; or (iv) book uncollected interest by any other means which essentially avoids recognition of overdue loans and/or artificially inflates the income of the Bank.

#### LOAN ADMINISTRATION

13. Within 75 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable revised written loan policy and procedures to address all aspects of the Bank's current and planned future lending activities, including any lending program targeted to specialty markets or borrowers. Such revised loan policy and procedures shall include, at a minimum: (a) underwriting standards for all loans; (b) guidelines for a credit and cash flow

analysis to be performed on each new extension of credit to permit full assessment of the borrower's financial capacity, and the documentation of such analysis; (c) requirements for preparing a written analysis of each proposed extension of credit in excess of \$50,000, including without limitation, source of repayment, collateral value and verification, character of the borrower, the borrower's financial condition, and a review of the proposed extension of credit's compliance with the Bank's loan policy and procedures, as revised pursuant to this Agreement; (d) guidelines on the collateral requirements for all loans; (e) credit approval limits for Bank officers and the Bank's Loan Committee and procedures for the board of directors to review and ratify previously approved loans and to approve proposed extensions of credit that exceed the credit approval limits; (f) the prohibition of capitalizing interest earned but not collected for extensions of credit that are being extended, renewed, modified, or in any way renegotiated; and (g) the prohibition of extending or renewing past due loans prior to the end of a calendar quarter so that loans can be reported as current.

14. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable written loan review procedures. The loan review procedures shall be designed to identify and categorize problem credits and to assess the overall quality of the Bank's loan portfolio. These procedures shall, at a minimum, include the following:

(a) A description of the risk grades to be assigned to each loan;

(b) the designation of the individuals who will be responsible for determining loan grades;

(c) a description of when loans will be graded;

(d) a description of what loans will be graded;

(e) procedures to confirm the accuracy of all risk grades assigned by the Bank's loan officers;

(f) for each loan identified as a watch list loan, a written statement, maintained in the appropriate credit file, of the reason(s) why such loan merits special attention;

(g) the development of an adequate internal loan review grading report; and

(h) mechanism for reporting periodically to the Bank's board of directors the status of the loan reviews and the action(s) taken by management to improve the Bank's position on each loan adversely graded.

#### INVESTMENT POLICY

15. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written revised investment policy, which shall include, at a minimum, the following:

(a) A description of acceptable and unacceptable types of investments within the stated categories of permissible investments, referencing the Interagency Policy Statement on Securities Activities, effective February 10, 1992;

(b) minimum documentation requirements for investments, including the review and analysis of prospectuses, stress tests, pricing sources and credit ratings prior to and on a regular basis after the purchase of the investment; and

(c) procedures requiring the board of directors to review and approve any proposed exceptions to the Bank's investment policy.

#### LIQUIDITY PLAN

16. Within 75 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written plan to provide for the maintenance of an adequate liquidity position. The plan shall, at a minimum, address and consider the following:

(a) The maintenance of sufficient liquidity to meet contractual liability maturities and to meet additional, unanticipated demands;

(b) the Bank's reliance on large certificates of deposit;

(c) the cost and use of borrowed funds;

(d) deposit concentrations;

(e) a contingency funding plan to identify potential funding sources if the Bank were to experience an erosion of its deposit base;

(f) the volume of liquid assets required to provide for unanticipated needs;

(g) the selection of appropriate measures to monitor the Bank's liquidity position, including quantitative guidelines to establish adequate coverage of volatile liabilities by liquid assets; and

(h) acceptable parameters for the ratio of rate-sensitive assets to rate-sensitive liabilities.

#### INTERNAL AUDIT

17. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the State an acceptable written internal audit program that includes, at a minimum:

(a) The establishment of an audit committee of the Bank, which shall include all outside directors referenced in paragraph 5 hereof, and which shall (i) meet at least monthly, (ii) maintain full and complete minutes of its actions, and (iii) report, in writing, to the full board of directors at least monthly;

(b) procedures to ensure that the Audit Committee directs the scope and scheduling of audits.

(c) guidelines and the designation of resources to ensure that internal audits are completed as scheduled and that audits are performed for all areas that have been designated as warranting follow-up attention;

(d) the development of standardized audit reports;

(e) a complete audit manual;

(f) audit work paper standards; and

(g) establishment of procedures for an effective method of resolving differences of opinion between audit and management concerning audit exceptions and recommendations, with any disputes to be resolved by the Bank's audit committee.

#### BOOKS AND RECORDS, INTERNAL CONTROLS AND AUDIT FUNCTIONS

18. Within 45 days of this Agreement, the Bank shall submit to the Reserve Bank and the State acceptable written programs and procedures to strengthen and maintain the Bank's books and records, internal controls and audit functions. The programs and procedures shall contain corrective steps that respond to the criticisms in the Report of Examination of the Bank's current procedures, and, at a minimum, shall include:

(a) An account certification program for all general ledger accounts on at least a monthly basis, including verification of source documents and a list of aged outstanding items, and a monthly review by senior management and the board of directors;

(b) allocation of duties among personnel, including the possible reassignment of personnel, to achieve the establishment of proper records and controls for the approval of and accounting for expense claims, fixed assets and prepaid accounts, including the maintenance of supporting documentation; and

(c) security procedures including call backs to authenticate telephoned, telefaxed or written wire transfer requests.

#### STRATEGIC BUSINESS PLAN

19. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the State a written business plan, approved by the Bank's board of directors, concerning the Bank's proposed business activities for 2000. This plan shall contain provisions that address the requirements of this Agreement, and, at a minimum, include:

(i) Responsibilities of the board of directors concerning the development, approval, implementation, and monitoring of the business plan, and procedures designed to ensure that the board of directors fulfills such responsibilities;

(ii) financial performance objectives, including plans for asset growth, earnings, liquidity and capital, supported by detailed, quarterly pro forma financial statements;

(iii) management, lending and operational objectives, given the condition of the Bank as set forth in the Report of Examination, and the specific strategies for achieving such objectives;

(iv) identification of the major areas in and the means by which the Bank will seek to improve its operational performance;

(v) description of the operating assumptions that form the basis for major projected income and expense components and the sources and uses of cash flow;

(vi) establishment of a quarterly review process to monitor the actual income and expenses of the Bank in comparison to budgetary projections; and

(vii) quarterly review of and necessary revision to the business plan.

(b) A strategic plan for each calendar year subsequent to 2000 shall be submitted to the Reserve Bank and the State at least one month prior to the beginning of that calendar year. The Bank's board of directors shall monitor the Bank's adherence to the budget and earnings forecasts each month and shall incorporate a detailed explanation of any material variance from

the forecasts into the minutes of the board of directors' meeting at which the bank's performance is reviewed.

#### REPORTS OF CONDITION, FR Y-9SP REPORTS

20. (a) Within 30 days of this Agreement, the Bank shall submit to the Reserve Bank revised, complete and accurate Consolidated Reports of Condition and Income for periods ending March 31, 1999 and June 30, 1999.

(b) The Bank shall take such actions as are necessary to ensure that all Consolidated Reports of Condition and Income, including those described in paragraph 20(a) hereof, filed by the Bank accurately reflect the Bank's condition on the date(s) for which such reports are filed, that all such reports are filed in a timely manner, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review.

21. (a) Within 30 days of this Agreement, Bancorp shall submit to the Reserve Bank a revised, complete and accurate FR Y-9SP report for the period ending June 30, 1999.

(b) Bancorp shall take such actions as are necessary to ensure that all FR Y Reports accurately reflect Bancorp's condition on the date(s) for which such reports are filed, that all such reports are filed in a timely manner, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review.

## VIOLATIONS

22. (a) The Bank shall immediately take all necessary steps consistent with sound banking practices, to eliminate and/or correct all violations of Regulation O and sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c, 371c-1) set forth in the Report of Examination.

(b) The Bank shall not engage, directly or indirectly, in any violation of Regulation O and sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1).

(c) The management and the directors of the Bank shall familiarize themselves with the applicable provisions of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1) and Regulation O of the Board of Governors and of this Agreement.

## BROKERED DEPOSITS

23. (a) The Bank shall not accept any brokered deposits except in compliance with the provisions of section 29 of the FDI Act (12 U.S.C. 1831f). The Bank shall notify the Reserve Bank and the State, in writing, if the Bank requests any waiver of the restrictions imposed by section 29 from the Federal Deposit Insurance Corporation (the "FDIC"), and shall notify the Reserve Bank and the State of the FDIC's disposition of any requests for such a waiver.

(b) Notwithstanding the provisions of paragraph 23(a) hereof, the Bank shall notify the Reserve Bank and the State in writing at least 5 days prior to its intent to take any action to accept, solicit or place any brokered deposits and, shall, along with the notification,

provide the Reserve Bank and the State with a written statement regarding its proposed sources and uses of brokered funds. The Reserve Bank and the State may respond to the Bank regarding objections to using any such brokered funds and may require appropriate corrective action.

#### BANCORP LENDING ACTIVITY

24. Bancorp shall not engage, directly or indirectly, in any lending activity including, but not limited to, making or renewing extensions of credit or purchasing loan participations, without the prior written approval of the Reserve Bank.

#### TRANSACTIONS WITH AFFILIATES AND INSIDERS

25. (a) Bancorp and the Bank shall not, directly or indirectly, enter into, participate, or in any other manner engage in any transaction with the Bank or Bancorp, respectively, without the prior written approval of the Reserve Bank.

(b) Any request for prior approval pursuant to paragraph 25(a) hereof shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each proposed transaction, including a full description of the proposed transaction, the purpose(s) of the transaction, the amounts involved, the benefits to be derived by Bancorp and the Bank, the proposed transaction's compliance with all applicable laws and regulations, including sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1) and other pertinent materials in order to assist in the review of the proposal.

(c) For the purposes of this Agreement, terms (i) "transaction" shall include, but not be limited to the transfer, contribution, sale or purchase of any asset, the direct or indirect payment of any expense or obligation, the direct or indirect assumption of any liability, the payment of a management or service fee of any nature, or any extension of credit, including overdrafts; and (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3).

26. (a) The Bank shall not, directly or indirectly, enter into, participate, or, in any other manner engage in any financial transaction with any of the Bank's or Bancorp's current or former institution-affiliated parties or related interests without the prior written approval of the Reserve Bank and the State.

(b) Any request for prior approval pursuant to paragraph 26(a) hereof shall be accompanied by adequate documentation that provides details of each proposed transaction, including a full description of the proposal, the purpose(s) for the transaction, the amounts involved, the benefits to be derived by the Bank or Bancorp and such other matters that may be pertinent to the proposed payment or transaction to assist in Reserve Bank's and the State's review of each proposal.

(c) For the purposes of this Agreement, the terms: (i) "related interest" shall be defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. 215.2(n)); and (ii) "financial transaction" shall include, but is not limited to: an extension of credit (as defined in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3));

the use of the Bank's credit card for personal expenses; the payment of money; the transfer, sale or purchase of any asset; a contract or payment for services; or the Bank's payment of any obligation of the Bank's or Bancorp's current or former institution-affiliated parties.

#### REVIEW AND APPROVAL

27. The written plans, programs, policies and procedures required by paragraphs 3, 4, 10, 13, 14, 15, 16, 17 and 18 hereof shall be submitted to the Reserve Bank and the State for review and approval. Acceptable plans, programs, policies and procedures shall be submitted to the Reserve Bank and the State within the required time periods set forth in this Agreement. Where applicable, Bancorp and the Bank shall adopt the approved plans, programs, policies and procedures within 10 days of approval by the Reserve Bank and the State and then shall fully comply with them. During the term of this Agreement, the approved plans, programs, policies, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the State.

#### QUARTERLY PROGRESS REPORTS

28. Within 30 days after the end of each calendar quarter (December 31, March 31, June 30 and September 30) following the date of this Agreement, the Bank shall furnish to the Reserve Bank and the State written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof, including updated reports on all asset improvement plans required by paragraph 10 hereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank and the State have, in writing, released the Bank from making further reports.

GENERAL PROVISIONS

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

- (a) Mr. James H. Jonson  
Vice President  
Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198
  
- (b) Mr. Mick Thompson  
Bank Commissioner  
Oklahoma State Banking Department  
4545 North Lincoln Boulevard, Suite 164  
Oklahoma City, Oklahoma 73105
  
- (c) Mr. Tom R. Lunsford, Chairman  
First Bank of Cleveland  
105 West Caddo Street  
Cleveland, Oklahoma 74020-0009
  
- (d) Mr. Tom R. Lunsford, II, Chairman  
Heritage Bancorp Company, Inc.  
105 West Caddo Street  
Cleveland, Oklahoma 74020-0009

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

31. The provisions of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the State.

32. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the State may, in their joint discretion, grant written extensions of time to Bancorp and the Bank to comply with any provision of this Agreement.

33. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank or any federal or state agency or department from taking any other action affecting Bancorp, the Bank or any of their current or former institution-affiliated parties.

31. The provisions of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank and the State.

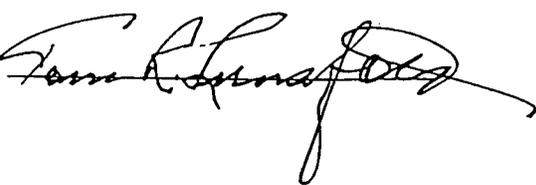
32. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the State may, in their joint discretion, grant written extensions of time to Bancorp and the Bank to comply with any provision of this Agreement.

33. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank or any federal or state agency or department from taking any other action affecting Bancorp, the Bank or any of their current or former institution-affiliated parties.

34. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS HEREOF, the parties have caused this Agreement to be executed as of the 21 day of October, 1999.

First Bank of Cleveland      Federal Reserve Bank of Kansas City

By: 

Heritage Bancorp Company, Inc.

By: 

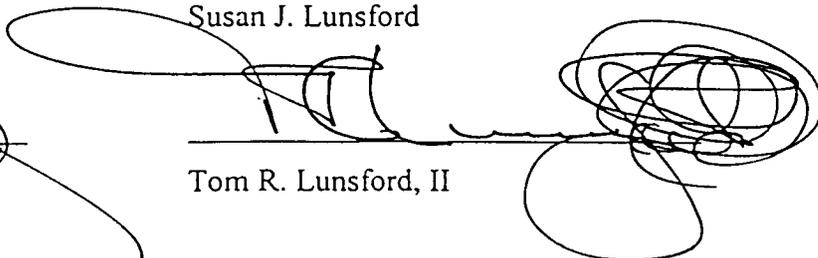
Oklahoma State Banking Department

By: 

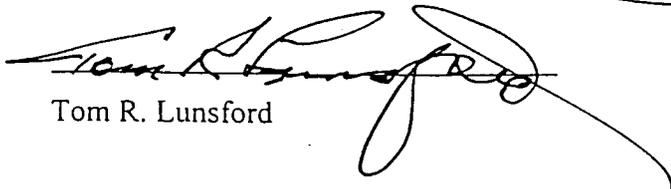
By: 

The undersigned directors of the Bank each acknowledges having read the foregoing Agreement and approves of the consent thereto by the Bank.

\_\_\_\_\_  
Susan J. Lunsford



\_\_\_\_\_  
Tom R. Lunsford, II



\_\_\_\_\_  
Tom R. Lunsford



\_\_\_\_\_  
Paul D. Anderson

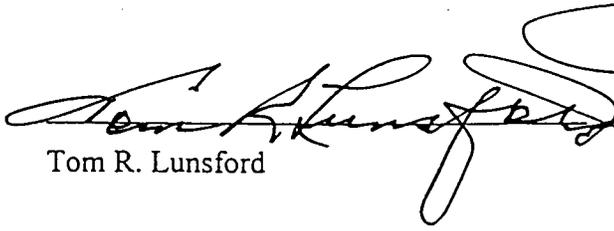


\_\_\_\_\_  
William Craig Caldwell

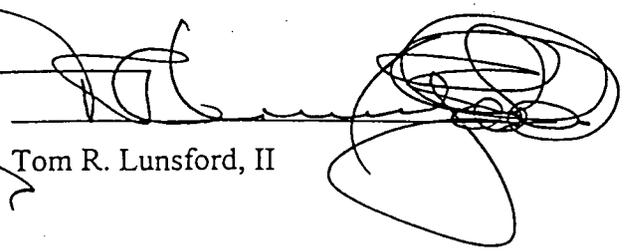
The undersigned directors of Bancorp each acknowledges having read the foregoing Agreement and approves of the consent thereto by Bancorp.

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Susan J. Lunsford



Tom R. Lunsford



Tom R. Lunsford, II

34. This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS HEREOF, the parties have caused this Agreement to be executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 1999.

First Bank of Cleveland      Federal Reserve Bank of Kansas City

By: \_\_\_\_\_

By: \_\_\_\_\_

Heritage Bancorp Company, Inc.

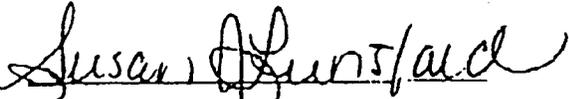
Oklahoma State Banking Department

By: \_\_\_\_\_

By: \_\_\_\_\_

The undersigned directors of the Bank each acknowledges having read the foregoing Agreement and approves of the consent thereto by the Bank.

\_\_\_\_\_  
Jayne Lunsford

  
\_\_\_\_\_  
Susan J. Lunsford

\_\_\_\_\_  
Tom R. Lunsford

\_\_\_\_\_  
Tom R. Lunsford, II

\_\_\_\_\_  
Paul D. Anderson