

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

_____)	
Written Agreement by and between)	
)	
MIDSTATE BANCORP, INC.)	Docket No. 03-004-WA/RB-HC
Hinton, Oklahoma)	
)	
and)	
)	
FEDERAL RESERVE BANK)	
OF KANSAS CITY)	
Kansas City, Missouri)	
_____)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Midstate Bancorp, Inc., Hinton, Oklahoma ("Midstate"), a registered bank holding company that owns and controls the Legacy Bank, Hinton, Oklahoma (the "Bank"), a state chartered bank, Midstate and the Federal Reserve Bank of Kansas City (the "Reserve Bank") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on Feb 18, 2003, the board of directors, at a duly constituted meeting, adopted resolutions authorizing and directing Samuel Carmack to enter into this Agreement on behalf of Midstate, and consenting to compliance by Midstate 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)), with each and every provision of this Agreement.

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

Audit

1. (a) Within 20 days of this Agreement, Midstate shall, jointly with the Bank, engage an independent public accounting firm, acceptable to the Reserve Bank to conduct an audit of Midstate's and the Bank's balance sheets and income statements as of December 31, 2002, and issue an opinion on the balance sheets and income statements, in accordance with generally accepted accounting principles, by May 31, 2003.

(b) Within 15 days of engaging the independent firm, Midstate shall submit to the Reserve Bank an acceptable engagement letter governing the scope and terms of the audit.

(c) Within 10 days of receipt of the independent firm's audit report and any management letter, Midstate shall provide copies to the Reserve Bank.

(d) Within 45 days of the receipt of the audit report and management letter, Midstate shall provide the Reserve Bank with an acceptable written plan to correct all deficiencies noted in the audit report or management letter regarding Midstate's balance sheets and income statements.

Dividends

2. (a) Midstate shall not 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. All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date or other payment date and shall contain, but not be limited to, an analysis of the impact of such dividend or other payment would have on the Bank's capital position.

(b) Midstate 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"). All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on consolidated earnings, Midstate's and the Bank's capital levels and cash flow, and the asset quality and loan loss reserve needs of the Bank.

(c) Midstate 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.

Debt and Stock Redemption

3. (a) Midstate shall not, directly or indirectly, increase any debt, including debt to shareholders, 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, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

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

Affiliate and Insider Transactions

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

(b) Any request for prior approval 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 Midstate 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 Regulation W of the Board of Governors, 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)

5. (a) Midstate shall not, directly or indirectly, enter into, participate, or, in any other manner, engage in any financial transaction with any of the Midstate's or the Bank's current or former executive officers, directors, principal shareholders or related interest thereof without the prior written approval of the Reserve Bank

(b) Any request for prior approval shall be accompanied by adequate documentation that provides details of each proposed transaction, including a full description of the proposal, the purpose(s) of the transaction, the amounts involved, the benefits to be derived by the Midstate, the Bank, or the current or former executive officer, director, principal shareholder or related interest thereof and such other matters that may be pertinent to the proposed payment or transaction to assist the Reserve Bank's review of each proposal.

(c) For the purposes of this Agreement, the terms: (i) "director", "principal shareholder", and "related interest" shall be defined as set forth in section 215.2 of Regulation O of the Board of Governors (12 C.F.R. 215.2); and (ii) "financial transaction" shall include, but is

not limited to: an extension of credit; the use of Midstate's credit card for personal expenses; the payment of money (except for salaries or employee benefits in effect as of the date of this Agreement); the transfer, sale or purchase of any asset; a contract or payment of services; or Midstate's payment of any obligation of the Bank's or Midstate's current or former executive officers, directors, principal shareholders or related interest thereof.

Compensation

6. (a) Midstate shall not, directly or indirectly, pay any salaries or bonuses, increase the directors' fees or make any other payments, including, but not limited to, reimbursement of expenses or payment of indebtedness, to or on behalf of any of Midstate's directors or executive officers without the prior written approval of the Reserve Bank.

(b) Notwithstanding the provisions of this paragraph, Midstate does not need to obtain the prior written approval of the Reserve Bank for the reimbursement of reasonable expenses that aggregate no more than \$500 per month for each executive officer, provided that such reasonable expenses are incurred in performing routine duties, which have been adequately documented and reported on Midstate's books and records.

Compliance with Agreement

7. Within 15 days of this Agreement, the board of directors shall appoint a committee (the "Compliance Committee") to monitor and coordinate Midstate's compliance with the provisions of this Agreement. At a minimum, the Compliance Committee shall keep detailed minutes of each meeting, and shall report its findings to the board of directors on a quarterly basis.

Communications

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

- (a) Susan E. Zubradt
Vice President
Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198
- (b) Mr. R. Stephen Carmack
Chairman and Chief Executive Officer
Midstate Bancorp
P.O. Box 1038
Hinton, Oklahoma 73047-1038

Miscellaneous

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

10. The provisions of this Agreement shall be binding upon Midstate and its institution-affiliated parties, 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 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 Midstate or any of its current or former institution-affiliated parties and their successors and assigns.

13. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued 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 1st day of March, 2003.

Midstate Bancorp

Federal Reserve Bank of Kansas City

By: Samuel Carmack
in protest

By: James E. Zuluaga