

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

OFFICE OF THE STATE BANK COMMISSIONER  
TOPEKA, KANSAS

Written Agreement by and among

BANK VI  
Salina, Kansas

FEDERAL RESERVE BANK OF KANSAS CITY  
Kansas City, Missouri

And

STATE OF KANSAS  
OFFICE OF THE STATE BANK  
COMMISSIONER  
Topeka, Kansas

Docket No. 10-132 -WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Bank VI, Salina, Kansas (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 State of Kansas Office of the State Bank Commissioner (the “OSBC”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 29, 2010, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing Tom Wilbur to enter into this Agreement on behalf of the Bank, and consenting to compliance with each and every applicable provision of this Agreement 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)).

NOW, THEREFORE, the Bank, the Reserve Bank, and the OSBC 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 OSBC 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 major operations and activities, including, but not limited to, credit risk management, loan review, processes to mitigate risks associated with credit concentrations, capital, earnings, and liquidity;

(b) the responsibility of the board of directors to monitor management’s adherence to approved Bank policies and procedures, and to require management to document exceptions thereto;

(c) the establishment of measures to ensure Bank staff’s adherence to approved policies and procedures; and

(d) a description of 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 loan portfolio, adversely classified assets, concentrations of credits, allowance for loan and lease losses (“ALLL”), capital, liquidity, and earnings.

2. Within 30 days of this Agreement, the board of directors shall submit a written management plan to the Reserve Bank and the OSBC that fully addresses the findings and

recommendations contained in the report of the management review conducted by an outside consultant retained by the Bank (the "Report"). The plan shall describe the specific actions that the board of directors will take in order to strengthen the Bank's management, and to hire, as necessary, additional or replacement officers or staff to properly manage and operate the Bank.

### **Credit Risk Management**

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

- (a) The responsibility of the board of directors to establish appropriate risk tolerance guidelines and risk limits;
- (b) periodic review and revision of risk exposure limits to address changes in market conditions;
- (c) timely and accurate identification and quantification of credit risk within the loan portfolio;
- (d) enhanced stress testing of individual loans during the underwriting process; and
- (e) strategies to minimize credit losses and reduce the level of problem assets.

### **Concentrations of Credit**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable written plan to strengthen the Bank's management of concentrations of credit. The plan shall, at a minimum, include:

- (a) Policies and procedures to identify, limit, and manage all concentrations of credit, including, but not limited, to the development of concentration risk limits by individual

borrower, type of loan product, geographic location, and other common risk characteristics, including loan participations purchased, and for commercial real estate, policies and procedures that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1); and

(b) a schedule for reducing and the means by which the Bank will reduce the level of concentrations, and timeframes for achieving the reduced levels.

### **Lending and Credit Administration**

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

(a) Appropriate lending authority limits for loan officers;

(b) enhancements to the internal loan grading system and other ongoing loan monitoring systems to ensure the timely and accurate identification of individual problem credits and recognition of losses; and

(c) policies and procedures to ensure that collateral is evaluated with appropriate frequency, and that stated values are documented and supported.

### **Loan Review Program**

6. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable written program for the ongoing review and grading of the Bank's loan portfolio by a qualified independent party. The program shall, at a minimum, address, consider, and include:

(a) The scope and frequency of loan review;

(b) standards and criteria for assessing the credit quality of loans;

- (c) application of loan grading standards and criteria to the loan portfolio;
- (d) controls to ensure adherence to the revised loan review and grading standards; and
- (e) written reports to the board of directors, at least monthly, that identify the status of those loans that are nonperforming or adversely graded and the prospects for full collection or strengthening of the quality of any such loans.

### **Asset Improvement**

7. 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 joint report of examination conducted by the Reserve Bank and the OSBC that commenced on January 25, 2010 (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 (12 C.F.R. § 215.2(n)).

8. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC 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 \$250,000, including other real estate owned ("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 Reports of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$250,000, 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 OSBC 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 OSBC 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/nonaccrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and the OSBC, and shall document the review in the minutes of the board of directors' meetings.

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

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 that have not been previously collected in full or charged off. The Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank and the OSBC.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology 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 Examination, and submit a description of the revised methodology to the Reserve Bank and the OSBC. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectability.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the Bank's revised 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. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC, 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 the ALLL for that quarter.

### **Capital Plan**

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital needs, including 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 credits, concentrations of credit, ALLL, current and projected asset growth, and

projected retained earnings; and

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

11. The Bank shall notify the Reserve Bank and the OSBC in writing no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, 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.

### **Liquidity/Contingency Funding**

12. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring and measurement of the Bank's liquidity, including cash flow projections to assess future liquidity needs;

(b) measures to reduce the Bank's reliance on noncore funding sources; and

(c) measures to ensure timely reporting to the board of directors on the Bank's liquidity position.

13. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC an acceptable revised written contingency funding plan that, at a minimum, includes adverse scenario planning and identifies and quantifies available sources of liquidity for each scenario.

### **Earnings Plan and Budget**

14. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the OSBC a written business plan for the remainder of 2010 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 calendar year 2010, including income statement and balance sheet projections; and

(ii) a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components.

(b) During the term of this Agreement, a business plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the OSBC with the at least 30 days prior to the beginning of that calendar year.

### **Dividends and Distributions**

15. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors (the "Director"), and the OSBC.

(b) All requests for prior written approval shall be received at least 30 days prior to the proposed dividend declaration date. All requests shall contain, at a minimum, current and projected information on the Bank's capital, asset quality, earnings, and ALLL needs; and identification of the sources of funds for the proposed payment. The Bank 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).

## **Compliance with Laws and Regulations**

16. (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 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) 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).

## **Approval and Implementation of Plans and Program**

17. (a) The Bank shall submit written plans and programs that are acceptable to the Reserve Bank and the OSBC within the applicable time periods set forth in paragraphs 3, 4, 5, 6, 7, 8, 9(c), 10, 11, 12 and 13 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the OSBC, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall 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 OSBC.

## **Progress Reports**

18. 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 and the OSBC written

progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Communications**

19. 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) Ms. Judi M Stork  
Acting Bank Commissioner  
Kansas Office of the State Bank Commissioner  
700 S.W. Jackson Street, Suite 300  
Topeka, Kansas 66603
- (c) Mr. Tom Wilbur  
Chairman and CEO  
Bank VI  
1900 South Ohio Street,  
Salina, Kansas 67401

### **Miscellaneous**

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

21. 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.

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

23. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the OSBC 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.

24. 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 14<sup>th</sup> of July, 2010.

BANK VI

FEDERAL RESERVE BANK  
OF KANSAS CITY

By: /s/ Tom Wilbur  
Tom Wilbur  
President and CEO

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

KANSAS OFFICE OF THE  
STATE BANK COMMISSIONER

By: /s/ Judi M. Stork  
Judi M. Stork  
Commissioner