

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

_____)
Written Agreement by and between)

JESSE L. REESE

An institution affiliated party of)
Kenco Bancshares, Inc.)
Jayton, Texas)

Docket No. 04-019-WA/RB-I3

and

FEDERAL RESERVE BANK
OF DALLAS
Dallas, Texas)
_____)

WHEREAS, in December 2001, the Federal Reserve Bank of Dallas (“Reserve Bank”), acting under authority delegated by the Board of Governors of the Federal Reserve System (the “Board of Governors”), notified Thomas C. Darden (“Darden”), William J. Collier, and Jesse L. Reese (collectively, the “Control Group”), Robert G. Hall, chairman of the board directors of Kenco Bancshares, Inc., Jayton, Texas (“Kenco”), a registered bank holding company that owns and controls the Kent County State Bank, Jayton, Texas (the “Bank”), and Bob E. Hamilton, a member of the board of directors of Kenco, that the Reserve Bank did not intend to disapprove the Control Group’s proposed acquisition of Kenco pursuant to the Change in Bank Control Act (12 U.S.C. 1817(j)) subject to several commitments made by Darden, including a commitment that Darden not be appointed as a director, officer, employee or have any other duties or responsibilities with respect to Kenco without the prior approval of the Reserve Bank (the “Commitment”);

..

WHEREAS, in 2002, in violation of the Commitment, Darden **was** an employee, agent, or had other duties and responsibilities with respect to the sale of Kenco bonds;

WHEREAS, in January **2004**, in violation **of** the Commitment, Darden **was** elected **as** a director of Kenco;

WHEREAS, Jesse L. Reese, **as** a director of Kenco, engaged in unsafe and unsound practices by failing to ensure that Darden comply with the Commitment and by failing to inform the Reserve Bank that Darden had violated the Commitment;

WHEREAS, Jesse L. Reese is an institution-affiliated party, **as** defined in sections 3(u) and **8(b)(3)** of the Federal Deposit Insurance Act, **as** amended (12 U.S.C. 1813(u) and 1818(b)(3)) (the "FDI Act"), of Kenco, and;

WHEREAS, on October 13, **2004**, Jesse L. Reese agreed to enter into this Agreement, and consenting to compliance with each and every provision **of** this Agreement;

NOW, THEREFORE, Jesse L. Reese and the Reserve Bank agree **as follows**:

Compliance with the Commitment

1. Reese shall take any action **as** necessary to (a) ensure that Darden complies with the Commitment, and (b) immediately notify the Reserve Bank in writing any time any action is taken by Darden regarding the Commitment.

Communications

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

- (a) Mr. W. Arthur Tribble
Vice President
Federal Reserve Bank of Dallas
P.O. Box 655906
Dallas, Texas 75265

(b) Mr. Jesse L. Reese
P.O. Drawer AD
Ralls, Texas 79357

Miscellaneous

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

4. 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 or department from **taking** any other action affecting Kenco, Kent ~~County State~~ Bank, or any of their current or former institution-affiliated parties.

5. 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 13 day of October, 2004.

Jesse L. Reese

Federal Reserve Bank of Dallas

By: Jesse L. Reese

By: W. Allen Smith