

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

| | |
|---------------------------------------|--------------------------------|
| _____) | |
| In the Matter of) | Order No.: WN-10-009 |
|) | |
|) | |
| LIBERTY FEDERAL SAVINGS BANK) | Effective Date: March 23, 2010 |
|) | |
| Enid, Oklahoma) | |
| OTS Docket No. 01532) | |
| _____) | |

ORDER TO CEASE AND DESIST

WHEREAS, Liberty Federal Savings Bank, Enid, Oklahoma, OTS Docket No. 01532 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Western Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association and its directors, officers, and employees shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in,

counseling, or the aiding and abetting of unsafe or unsound banking practices that resulted in the Association: (a) operating the Association with an inadequate level of capital protection for the volume, type and quality of assets held by the Association; (b) operating the Association with an inadequate allowance for loan and lease losses (ALLL) for the volume, type, and quality of loans and leases held; (c) operating the Association with inadequate internal review policies or procedures; and (d) operating the Association with inadequate provisions for liquidity.

2. The Association and its directors, officers, and employees shall also cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, or the aiding and abetting of violations of the following regulations:

- (a) 12 C.F.R. § 560.160 (Classification of Assets);
- (b) 12 C.F.R. § 560.170(d) (Credit Administration Practices);
- (c) 12 C.F.R. § 562.2 (Regulatory Financial Reports); and
- (d) Appendix B to 12 C.F.R. Part 570 (Safety and Soundness Standards for Customer Information Security Program).

Capital.

3. (a) Effective immediately, the Association shall have and thereafter maintain a Tier 1 Core Capital Ratio equal to or greater than seven percent (7%) and a Total Risk-Based Capital Ratio equal to or greater than eleven percent (11%).
- (b) By December 31, 2010, the Association shall have and thereafter maintain a Tier 1 Core Capital Ratio equal to or greater than eight percent (8%) and a Total Risk-Based Capital Ratio equal to or greater than eleven and half percent (11.5%).

(c) The requirement in Paragraph 3(a) to meet and maintain a specific capital level means that the Association may not be deemed to be “well-capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 565 pursuant to 12 C.F.R. § 565.4(b)(1)(iv).

Capital and Business Plan.

4. By May 31, 2010, the Association shall submit a revised business plan for the period beginning with the quarter ending June 30, 2010 through the quarter ending June 30, 2011 that is acceptable to the Regional Director (Capital and Business Plan) and that shall address the requirements of this Order and the capital enhancement strategies necessary for the Association to meet and maintain the capital levels prescribed in Paragraph 3 of this Order. Thereafter, the Association shall submit a new one (1) year Capital and Business Plan least sixty (60) days prior to the end of each fiscal year. At a minimum, the Capital and Business Plan shall:

- (a) address the amount of additional capital that will be necessary to meet the capital requirements of Paragraph 3 under a best-case scenario, a worst-case scenario, and a most probable case scenario involving progressively stressed economic environments;
- (b) detail the Association’s capital preservation and enhancement strategies with specific narrative goals;
- (c) include operating strategies to achieve increased liquidity and realistic core earnings, and realistic net income levels, taking into consideration the current and projected economic conditions in the Association’s business markets, the level of classified assets, concentrations, and liquidity needs;
- (d) address the maintenance of adequate ALLL;
- (e) set forth projected portfolio composition with established targets and delineation of credit, liquidity, compliance, interest rate, and operational risks;

- (f) address the corrective actions contained in the OTS's June 1, 2009 and October 5, 2009 Reports of Examination (2009 ROEs);
- (g) address the staffing levels or the use of qualified third parties needed to implement the Capital and Business Plan and to ensure compliance with this Order;
- (h) set forth a budget and profitability analysis for the trust department;
- (i) set forth the methodologies employed for forecasting projected loan losses and expected charge-offs;
- (j) incorporate liquidity and funding levels based on retail deposits, Federal Home Loan Bank (FHLB) advances, and other sources in accordance with the Liquidity Contingency Plan required by Paragraph 17 of this Order;
- (k) contain detailed quarterly financial projections for the period beginning March 31, 2010 and ending December 31, 2011; and
- (l) contain detailed assumptions used for all financial projections, including (i) the assumed interest rate scenarios; (ii) assumptions used for noninterest income and noninterest expense; (iii) assumptions used to determine the disposition of real estate owned (REO); (iv) assumptions used to determine the ALLL; (v) assumptions for cash flow projections, including loan originations, expected loan payments, maturing investments, and maturing liabilities set forth in the Liquidity Contingency Plan; and (vi) assumptions for return on assets ratio and net income margins.

5. Upon receipt of written notification from the Regional Director that the Capital and Business Plan is acceptable, the Association shall immediately implement the Capital and Business Plan. A copy of the Capital and Business Plan shall be provided to the Regional Director within five (5) days after the Board meeting.

6. Any material modifications¹ to the Capital and Business Plan must receive the prior written notice of non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

7. The Association shall notify the Regional Director regarding any material event adversely affecting or that may affect adversely the capital or capital projections of the Association within five (5) days after such event.

8. Within thirty (30) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Board shall review a written report (Plan Variance Report) that compares projected operating results contained within the Capital and Business Plan to actual results. The Plan Variance Report shall, at a minimum:

- (a) compare actual operating results to projected results;
- (b) include detailed explanations of any deviations from the projections; and
- (c) describe the specific corrective actions or measures that have been implemented by the Association or are proposed to address each deviation.

In addition, the Board shall address external and internal risks that may affect the Association's ability to successfully implement the Capital and Business Plan, including, but not be limited to, adverse scenarios relating to asset or liability mixes, interest rates, staffing levels and expertise, operating expenses, marketing costs, and economic conditions in the markets in which the

¹ For purposes of Paragraph 6 of this Order, a modification shall be considered material if the Association plans to: (a) engage in any activity that is inconsistent with the Capital and Business Plan; or (b) exceed the level of any activity contemplated in the Capital and Business Plan or fail to meet target amounts established in the Capital and Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

Association is operating. The Board shall discuss and approve corrective actions, if needed, to ensure the Association's adherence to its Capital and Business Plan. The Board's review of the Plan Variance Report and assessment of the Association's compliance with the Capital and Business Plan shall be fully documented in the appropriate Board meeting minutes. A copy of the Plan Variance Report shall be provided to the Regional Director within five (5) days after the Board meeting.

9. Within twenty-five (25) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 3 of this Order; (b) the Association fails to submit an acceptable Capital and Business Plan; (c) the Association fails to comply with the Capital and Business Plan prescribed in Paragraph 4 of this Order, or (d) any request from the Regional Director, the Association shall submit a written Capital Contingency Plan that is acceptable to the Regional Director. The Capital Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals and applicable waiting periods or sixty (60) days after the implementation of the Capital Contingency Plan: (a) merger with, or acquisition by another federally insured depository institution or holding company thereof; or (b) voluntary liquidation by filing an appropriate application with the OTS in conformity with federal laws and regulations.

10. Upon receipt of written notification from the Regional Director that the Capital Contingency Plan is acceptable, the Association shall implement the Capital Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Capital Contingency Plan on the first

(1st) and fifteenth (15th) of each calendar month following the implementation of the Capital Contingency Plan.

Operations.

11. Effective immediately, without the prior written non-objection of the Regional Director, the Association shall not make, purchase, or commit to make or purchase: (a) a development loan, (b) a land loan for the purpose of development or construction of unsold homes, (c) a loan for the construction of an unsold one-to-four family home, or (d) a loan to any borrower who is in the business of home construction where such loan is secured by individual lots (collectively, Builder/Developer Loans) unless a legally binding commitment to make, purchase, or commit to make or purchase such a loan exists as of the Effective Date.

12. Effective immediately, without the prior written notice of non-objection of the Regional Director, the Association shall not modify, renew, or extend or commit to modify, renew, or extend any existing Builder/Developer Loans unless all of the following conditions are met:

- (a) the transaction is consistent with the guidelines set forth in OTS CEO Memorandum No. 325 (Policy Statement on Prudent Commercial Real Estate Loan Workouts) and the Board has adopted a commercial real estate (CRE) loan work-out policy that is consistent with applicable guidance;
- (b) the transaction is certified by the Association's chief credit officer to be in full compliance with applicable regulations and guidance;
- (c) the Board approved the transaction after determining the primary obligor and guarantor to be creditworthy based on a documented credit analysis;

(d) all necessary loan documentation is on file, including, but not limited to, (i) current financial and cash flow information, (ii) title and lien documents, and (iii) a current real estate appraisal that complies with applicable regulations, guidance, and appraisal standards or an evaluation that takes into consideration the current market conditions after the completion of the last appraisal;

(e) any existing interest reserves will not be replenished and new interest reserves will not be established; and

(f) no new money is advanced to the borrower.

13. Effective immediately, except with the prior written notice of non-objection of the Regional Director, the Association shall not: (a) open any loan production offices or agency offices; or (b) engage in any new lending or services in which the Association was not engaged as of the Effective Date of this Order.

Growth.

14. Effective immediately, except as provided in the Regional Director's written notice of non-objection, dated February 1, 2010, the Association shall not increase its total assets above the level as of September 30, 2009 during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Association receives the Regional Director's written notice that the Capital and Business Plan is acceptable pursuant to Paragraph 5 of this Order.

Brokered Deposits.

15. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

16. By April 30, 2010, the Association shall develop an internal system to monitor the interest rates offered on all interest bearing accounts to ensure compliance with 12 C.F.R. § 337.6(b).

Liquidity Contingency Plan.

17. By April 30, 2010, the Association shall submit a revised Liquidity Contingency Plan that is acceptable to the Regional Director and which, at a minimum:

- (a) incorporates applicable guidance;²
- (b) sets forth the Association's strategies for the funding of projected lending activities;
- (c) provides pro forma cash flow projections detailing all anticipated sources and uses of funds that are based on at least three (3) forward looking progressively stressed scenarios, including, but not limited to, the reduction of a funding source or an increase in collateral requirements;
- (d) incorporates a specific plan to address the reduction in funding sources or an increase in collateral requirements for funding sources;
- (e) sets forth the assumptions used in the formulation of the Liquidity Contingency Plan, including, but not limited to, assumptions regarding the quality of the Association's unpledged assets, the collateral requirements for FHLB advances, and borrowing capability from the Federal Reserve Bank; and
- (f) requires monthly reports to the Board setting forth: (i) the ratio of liquid assets to total assets; (ii) the ratio of FHLB advances, including lines of credit, to total assets;

² Such guidance includes, but is not limited to OTS Examination Handbook § 530 (Liquidity Risk Management) and § 560 (Funds Management). See also Proposed Interagency Guidance – Funding and Liquidity Risk Management, 74 Fed. Reg. 32035 (July 6, 2009).

(iii) the ratio of unpledged eligible collateral to total assets; (iv) the ratio of net unused FHLB borrowing capacity to total assets; and (v) the ratio of unpledged collateral to net unused borrowing capacity.

18. Within thirty (30) days of receipt of written notification from the Regional Director that the Liquidity Contingency Plan is acceptable, the Association shall implement the Liquidity Contingency Plan.

19. Within five (5) days of receipt, the Association shall provide to the Regional Director any correspondence from the FHLB or the Federal Reserve Bank imposing restrictions on the Association's borrowing capacity or requiring additional collateral.

20. Effective immediately, the Association shall submit a daily liquidity and cash flow analysis report acceptable to the Regional Director by the close of the following business day until such time as the Regional Director releases the Association from this reporting requirement.

Asset Classification.

21. Effective immediately, the Association shall evaluate and classify its assets and establish ALLL and specific valuation allowances in accordance with applicable laws, regulations, and regulatory guidance.

22. Within twenty-five (25) days after the end of each quarter, beginning with the quarter ending March 31, 2010, Management³ shall submit to the Board a written report setting forth the ALLL analysis for the Association's assets and all assumptions used to determine the adequacy of the ALLL (Quarterly ALLL Analysis Report). Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it was discovered and before the Association files its

³ For purposes of this Order, the term "Management" is defined as one or more Senior Executive Officers and the term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

Thrift Financial Report (TFR) with the OTS. The Board's review of the Quarterly ALLL Analysis Report and approval of the adequacy of the Association's ALLL shall be fully documented in the Board meeting minutes. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2010, the Association shall submit a copy of the Quarterly ALLL Analysis Report and the Board meeting minutes reflecting the review of the Quarterly ALLL Analysis Report.

Internal Asset Review.

23. Effective immediately, the Association shall engage a qualified independent consultant (IAR Consultant) to complete an on-site internal asset review and analyses of all loans designated as Pass and Watch.

24. By April 30, 2010, the IAR Consultant shall prepare and submit to the Board a written report with respect to the analysis prescribed by Paragraph 23 of this Order. The IAR Report shall:

- (a) be based on an analysis independent of the loan underwriting and approval functions;
- (b) address the guidelines set forth in the OTS CEO Memorandum No. 140 (Effective Internal Asset Review Systems) and OTS Examination Handbook § 260 (Classification of Assets);
- (c) address compliance with 12 C.F.R. § 560.160 and generally accepted accounting principles (GAAP); and
- (d) include the following information for each such identified loan:
 - (i) the loan number and the borrower's name;
 - (ii) the date of loan;

- (iii) the date(s) of payments due and any last payment made;
- (iv) the date(s) of any extension or modification;
- (v) the book balance;
- (vi) a description of the collateral and condition of security collateral;
- (vii) the most recent appraised or fair value of the collateral, the date of this appraisal or valuation, an evaluation of the appropriateness of the valuation based on the current market conditions when the appraisal is dated six (6) months or older;
- (viii) the review of appraisals and collateral valuations for deficiencies under applicable regulatory requirements, policy guidance, and appraisal standards;
- (ix) an analysis of the borrower's and/or guarantor's current financial condition, including, but not limited to the borrower's ability to service the debt and other debts and, where applicable, the borrower's ability to service all loans and the findings from any property inspections;
- (x) the identification of loan underwriting, documentation, or administration deficiencies under the Association's loan policies and regulatory requirements and guidance;
- (xi) the current asset classification category, the appropriateness of rationale for the asset classification category, and the date of the initial classification;
- (xii) the analysis of impairment of loans; and
- (xiii) the identification of troubled debt restructuring in accordance with applicable guidance.

25. By April 30, 2010, the Board shall: (a) review the IAR Report; (b) determine the appropriate corrective actions, including, but not limited to, changes in classification of assets and an increase in ALLL; and (c) submit a copy of the IAR Report and a certified copy of the Board meeting minutes reflecting its review of, and actions regarding the IAR Report to the Regional Director.

Classified Asset Report.

26. (a) Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2010, the Board shall submit to the Regional Director a detailed written status report (Quarterly Classified Asset Report) on each classified asset equal to or greater than Two Hundred Fifty Thousand Dollars (\$250,000) on the Association's books at the end of the quarter. For each identified classified asset, the Quarterly Classified Asset Report shall:

- (i) identify significant loan underwriting, documentation, or administration deficiencies;
- (ii) set forth the date(s) of payments due and any last payment made;
- (iii) set forth the amount of interest reserve remaining and the contractually required debt service;
- (iv) provide the estimated value of the collateral, the date of this valuation, and the findings from any property inspections;
- (v) analyze the borrower's and/or guarantor's current financial condition;
- (vi) set forth the appropriate asset classification category and the rationale for the asset classification category;
- (vii) identify the specific risks with respect to the asset;

- (viii) identify whether the loan is impaired under GAAP and an estimate of the loan impairment;
 - (ix) set forth any required specific valuation allowances, charge-offs, or allocation of ALLL; and
 - (x) set forth the current strategy that the Board approved for resolving the classified asset.
- (b) The Board's review of the Quarterly Classified Asset Report and any proposed actions to be taken with respect to the classified assets shall be fully documented in the Board meeting minutes.

Reduction of Classified Assets.

27. By May 31, 2010, the Association shall submit a revised Classified Asset Reduction Plan (Classified Asset Reduction Plan) that is acceptable to the Regional Director and that, at a minimum, shall include:

- (a) targets for the level of classified assets as a percentage of Tier 1 Core Capital and ALLL and the timeframes for each such target;
- (b) a description of the manner of, and methods for, reducing the Association's level of classified assets to the targets set forth therein; and
- (c) projections and assumptions based on a best-case scenario, a worst-case scenario, and a most probable case scenario involving progressively stressed economic environments.

28. Within thirty (30) days of receipt of written notification from the Regional Director that the Classified Asset Reduction Plan is acceptable, the Association shall implement the Classified Asset Reduction Plan.

29. Any material modification⁴ to the Classified Asset Reduction Plan must receive the prior written notice of non-objection of the Regional Director. The Association shall submit proposed material modifications to the Classified Asset Reduction Plan to the Regional Director at least sixty (60) days prior to implementation.

30. Within thirty (30) days after the end of each month, beginning with the month ending May 31, 2010, the Board shall provide to the Regional Director a written status report regarding the implementation of the Classified Asset Reduction Plan (Quarterly Classified Asset Reduction Report). Each Quarterly Classified Asset Reduction Report shall: (a) set forth the Association's efforts to reduce the Association's level of classified assets during that quarter; and (b) report and explain in detail any variances of actual operating results from the targets set forth in the Quarterly Classified Asset Reduction Plan. The Board's review of the Quarterly Classified Asset Reduction Report shall be fully documented in the Board meeting minutes.

Concentration Risk Reduction Plan.

31. (a) By May 31, 2010, the Association shall submit a revised Concentration Risk Reduction Plan that is acceptable to the Regional Director. The Concentration Risk Reduction Plan shall, at a minimum, address:

- (i) the reduction of Association's concentration of Builder/Developer Loans to a level, as a percentage of Tier 1 (Core) capital and ALLL acceptable to the Regional Director;
 - (ii) the timeframes for reaching targets acceptable to the Regional Director;
- and

⁴ For purposes of this Paragraph of the Order, a modification shall be considered material if the Association failed to meet targets established in the Classified Asset Reduction Plan by more than ten percent (10%).

(iii) the assessment, monitoring, and control of the risks associated with the Association's CRE portfolio in accordance with applicable guidance.

(b) Within thirty (30) days of receipt of written notification from the Regional Director that the Concentration Risk Reduction Plan is acceptable, the Association shall implement the Concentration Risk Reduction Plan.

32. Any material modification⁵ to the Concentration Risk Reduction Plan shall receive the prior written notice of non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least sixty (60) days prior to implementation.

33. Effective immediately, within thirty (30) days after the completion of each stress testing conducted pursuant to the requirements of the Concentration Risk Reduction Plan, the Board shall review the findings of the stress testing and determine whether the Board must take steps to: (a) increase the Association's Total Risk-Based Capital, and (b) revise the Association's exposure limits, concentration risks, limits on certain types of borrowers or property types, loan policies, or credit review function, provided that such changes are consistent with the Concentration Risk Reduction Plan. The Board's review shall be fully documented in the Board meeting minutes.

34. Within thirty (30) days after the end of each quarter, beginning with the quarter ending June 30, 2010, the Board shall provide to the Regional Director a written report (Quarterly Concentration Reduction Report) that: (a) summarizes the Association's efforts to reduce the Association's concentration in the types of Builder/Developer Loans; and (b) sets forth and

⁵ For purposes of this Paragraph of the Order, a modification shall be considered material if the Association failed to meet targets established in the Concentration Risk Reduction Plan by more than ten percent (10%).

explains in detail the variances of actual operating results from the targets set forth in the Concentration Risk Reduction Plan for the reduction of the specific concentrations, as a percentage of Tier 1 Core Capital and ALLL, and the timeframes for reaching each such target.

Business Continuity Plan.

35. By April 30, 2010, and no later than the end of each calendar year, beginning with the year ending December 31, 2010, Management shall conduct testing of the Association's Business Continuity Plan and the Pandemic Response Plan in accordance with applicable guidelines in the Federal Financial Institutions Examination Council's Business Continuity Planning IT Examination Handbook and OTS Examination Handbook § 341 (Information Technology) and report the results of the testing to the Board. By May 31, 2010, the Board shall address the results of testing of the Business Continuity Plan and the Pandemic Response Plan and ensure that all deficiencies noted in the testing have been addressed or the Association has implemented a system for the tracking of correction of deficiencies found in the testing. The Board's review of the Association's Business Continuity Plan and Pandemic Response Plan and the testing of such plans shall be fully documented in the Board meeting minutes.

36. By June 30, 2010, each employee, officer, and director of the Association shall receive training regarding the requirements of the Association's Business Continuity Plan and Pandemic Response Plan. Management shall document the completion of such training in the Association's training records.

Incident Response Program.

37. By March 31, 2010, the Board shall adopt a revised Incident Response Program that: (a) addresses the specific actions to be taken when the Association suspects or detects that unauthorized individuals have gained access to customer information systems, including

appropriate reports to regulatory and law enforcement agencies; and (b) complies with Interagency Guidance on Response Program for Unauthorized Access to Customer Information and Customer Notice as set forth in Supplement A to Appendix B to 12 C.F.R. Part 570. Within five (5) days after the Board meeting, the Board shall submit to the Regional Director a copy of the Board meeting minutes reflecting its review of the Incident Response Program.

Management Reports.

38. By June 30, 2010, and within thirty (30) days after the end of each year, beginning with the year ending December 31, 2010, Management shall prepare a report (Management Report) to the Board that addresses, at a minimum: (a) compliance with the requirements of 12 C.F.R. § 568.5 and Appendix B to 12 C.F.R. Part 570 and the guidelines of OTS CEO Memorandum No. 231 (Interagency Guidelines for Establishing Information Security Standards-Small Entity Compliance Guide); (b) the Association's risk assessment; (c) the results of Management's review of (i) vendor or service provider arrangements under the requirements of Section III.D of Appendix B and Section I.C of Supplement A to Appendix B to 12 C.F.R. Part 570 and (ii) vendor's financial statements and the Statement on Auditing Standards No. 70 reports; (d) results from the testing of the Association's Customer Information Security Program, the Business Continuity Plan, the Pandemic Response Plan, and its data processor server; (e) any security breaches or violations, occurrences of any incidents within the scope of Supplement A to Appendix B to 12 C.F.R. Part 570, and management's responses; (f) correction of all deficiencies noted in any internal audit, independent audit, or OTS examination report regarding information technology; (g) any recommendation for changes in the Association's Customer Information Security Program; (h) new regulatory requirements and the status of the Association's compliance efforts; (i) assessment of training, resources, and workload of employee(s) with

information technology functions; and (j) the status of training employees, officers, and the Board regarding the safeguarding of customer information and the implementation of the Association's Business Continuity Plan and the Pandemic Response Plan. The Board's review of the Management Reports shall be fully documented in the Board meeting minutes.

Severance and Indemnification Payments.

39. Effective immediately, the Association shall not make any golden parachute payment⁶ or prohibited indemnification payment⁷ unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

Directorate and Management Changes.

40. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Arrangements.

41. Effective immediately, the Association shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract,

⁶ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁷ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

42. Effective immediately, the Association shall not, directly or indirectly, increase any salaries or directors' fees, pay any bonuses, or make any other similar payments to the Association's directors or Senior Executive Officers without the written notice of non-objection of the Regional Director.

Third Party Contracts.

43. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association⁸ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract; (b) determined that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a; and (c) received a written notice of non-objection from the Regional Director.

Violations of Law.

44. By May 31, 2010, the Association shall ensure that all violations of law, rule, and/or regulation cited in the Association's 2009 ROEs are corrected. By June 15, 2010, the Association shall prepare, adopt, and thereafter ensure it adheres to specific procedures to prevent future violations.

⁸ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where the contracts involves information technology that is critical to the Association's daily operations without regard to the contract amount.

45. Within sixty (60) days of receipt of any subsequent report that cites or discusses any violations of law, rule, or regulation, the Association shall ensure that all identified violations of law, rule, and/or regulation are corrected and that adequate policies, procedures, and systems are established or revised and thereafter implemented to prevent future violations.

46. By March 31, 2010, the Board shall retain the services of a qualified consultant, with knowledge of GAAP and preparation of TFRs, to review the Association's TFR prior to its filing and to determine whether the TFR was prepared in accordance with GAAP, the TFR instructions, and the requirements of 12 C.F.R. §§ 562.1 and 562.2.

47. By March 31, 2010, the Board shall retain a qualified independent consultant, acceptable to the Regional Director, to assist in: (a) the review of the Capital and Business Plan required by Paragraph 4 of this Order, the Capital Contingency Plan required by Paragraph 9 of this Order, the Liquidity Contingency Plan required by Paragraph 17 of this Order, and the Classified Assets Reduction Plan required by Paragraph 27 of this Order; (b) the preparation of the Quarterly ALLL Analysis Report required by Paragraph 22 of this Order and the Quarterly Classified Asset Report required by Paragraph 26 of this Order; (c) the preparation of procedures to prevent recurrences of violations of law and regulation and deficiencies noted in the 2009 ROEs; (d) the recommendations for changes to the policies and procedures or the adoption of new policies and procedures, if appropriate, consistent with applicable regulatory requirements and guidance and this Order; (e) the recommendations for a risk-focused schedule for the Board's review and adoption of all policies and procedures to ensure all reviews are conducted no less than on an annual basis and in accordance with regulatory requirements; and (f) the recommendations for training for the directors addressing corporate governance, regulatory requirements, and review of credit and liquidity risks.

Annual Audit.

48. Within ninety (90) days after the end of its fiscal year, the Association shall obtain an audit of its annual fiscal year-end financial statements by a qualified independent public accounting firm, as required by 12 C.F.R. § 562.4. To be qualified, the independent public accounting firm shall: (a) meet the qualification requirements of 12 C.F.R. § 562.4, and (b) have experience in conducting audits of OTS-regulated institutions. Within thirty (30) days prior to the retention of the public accounting firm, the Association shall submit the engagement letter and the resume of the firm to the Regional Director for review. Within ninety (90) days following the end of its fiscal year, the Association shall submit to the Regional Director two (2) complete copies of the signed, independent auditor's report on its annual financial statements together with copies of all related letters and reports from the independent auditor.

Compliance with this Order.

49. Within thirty (30) days after the end of each month, beginning with the month ending March 31, 2010, the Board shall adopt and submit to the Regional Director a board resolution (Compliance Resolution), formally resolving that, to the best of its knowledge and belief, the Association has complied with each provision of this Order currently in effect. The Compliance Resolution shall specify in detail any instance of noncompliance with the Order and set forth the corrective action initiated or taken in each instance of noncompliance and identify all notices of exemption or non-objection issued by the Regional Director. Within five (5) days of the meeting of the Board at which the Compliance Resolution was adopted, the Association shall provide to the Regional Director a copy of each Compliance Resolution.

Effective Date, Incorporation of Stipulation.

50. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

51. This Order shall remain in effect until terminated, modified, or suspended by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

52. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

53. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

54. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

55. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
C.K. Lee, Regional Director
Attn: Vivian Carlton, Assistant Director
Office of Thrift Supervision
225 East John Carpenter Freeway, Suite 500
Irving, Texas 75062-2326
Facsimile No: (972) 277-9501

(b) To the Association:
Liberty Federal Savings Bank
Attn: Gordon C. Smith, Jr., President
401 W. Broadway Avenue
Enid, Oklahoma 73701-3839
Facsimile No: (580) 234-0793

No Violations Authorized.

56. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____ /s/_____
C.K. Lee
Regional Director, Western Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

| | |
|---------------------------------------|--------------------------------|
| _____) | |
| In the Matter of) | Order No.: WN-10-009 |
|) | |
|) | |
| LIBERTY FEDERAL SAVINGS BANK) | Effective Date: March 23, 2010 |
|) | |
| Enid, Oklahoma) | |
| OTS Docket No. 01532) | |
| _____) | |

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Liberty Federal Savings Bank, Enid, Oklahoma, OTS Docket No. 01532 (Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on its June 1, 2009 and October 5, 2009 reports of examination of the Association, the OTS finds that (a) the Association has engaged in unsafe or unsound practices, including: (i) operating the Association with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association; (ii) operating the Association with an inadequate allowance for loan and lease losses for the volume, type, and quality of loans and leases held; (iii) operating the Association with inadequate internal review policies or procedures; and (iv) operating the Association with inadequate provisions for liquidity; and (b) the Association has violated certain laws and regulations, including (i) 12 C.F.R. § 560.160 (classification of assets); (ii) 12 C.F.R. § 560.170(d) (credit administration practices); (iii) 12 C.F.R. § 562.2 (regulatory financial reporting); and (iv) Appendix B to 12 C.F.R. Part 570 (safety and soundness standards for customer information security program).

Consent.

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes, or otherwise.

OTS Authority Not Affected.

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties

with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to the OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

WHEREFORE, the Association, by its directors, executes this Stipulation.

Accepted by:

LIBERTY FEDERAL SAVINGS BANK
Enid, Oklahoma

OFFICE OF THRIFT SUPERVISION

By: /s/
R.E. Anderson, Chairman

By: /s/
C.K. Lee
Regional Director, Western Region

 /s/
Gordon C. Smith, Jr., Director
and President

Date: See Effective Date on page 1

 /s/
Douglas R. Parker, Director and
Executive Vice-President

 /s/
Gary A. Atwood, Director

 /s/
Leonard C. Northcutt, Director

 /s/
R. Lawrence Roye, Director