

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of:)
Lincoln Federal Savings Bank of Nebraska) AA-WE-11-101
Lincoln, Nebraska)

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”) has initiated cease and desist proceedings against Lincoln Federal Savings Bank of Nebraska, Lincoln, Nebraska (“Bank”), pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated December 19, 2011 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, by and through its Board of Directors, hereby stipulate and agree to the following:

Article I

Jurisdiction

(1) The Bank is a Federal Savings Association within the meaning of 12 U.S.C. § 1462(f) and an insured depository institution within the meaning of 12 U.S.C. § 1813(c).

(2) Pursuant to Section 312 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, all powers, authorities, rights and duties relating to federal savings associations that were vested in the Office of Thrift Supervision (“OTS”) and the

Director of the OTS, transferred to the Office of the Comptroller of the Currency (“OCC”) on July 21, 2011.

(3) The OCC is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(4) The Bank is subject to the authority of the OCC to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

Article II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller. The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as used in 12 U.S.C. § 1818(h)(2), and consent and agree that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

(2) Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or

any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

Article III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to seek any type of administrative or judicial review of the Order;
 - (d) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i), 12 C.F.R. Part 109; and
 - (e) any and all rights to challenge or contest the validity of the Order.

Article IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(2) This Order shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/

12/19/11

Troy L. Thornton
Assistant Deputy Comptroller
Omaha Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

12/19/11

Richard Bredenkamp

Date

/s/

12/19/11

Richard Hitz

Date

/s/

12/19/11

Paul Kardell

Date

/s/

12/19/11

Stanley Martin

Date

/s/

12/19/11

J. Michael Rierden

Date

/s/

12/19/11

Leo Schumacher

Date

/s/

12/19/11

Dale Young

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
Lincoln Federal Savings Bank of Nebraska)	AA-WE-11-101
Lincoln, Nebraska)	

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), has supervisory authority over Lincoln Federal Savings Bank of Nebraska, Lincoln, Nebraska (“Bank”).

On or about October 6, 2009, the Office of Thrift Supervision (“OTS”), acting by and through its Regional Director for the Western Region, and the Bank, by and through its duly elected and acting Board of Directors (“Board”), entered into an Order to Cease and Desist designed to address certain unsafe or unsound practices relating to Board and management oversight and credit risk management (the “October 6, 2009 Order”). During an examination of the Bank that began on or about June 1, 2010, repeat and unsafe or unsound practices were discovered by the OTS.

Thereafter, on or about July 21, 2011, pursuant to Title III of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. 111-203, 124 Stat. 1376 (2010), all functions of the OTS related to Federal savings associations were transferred to the Office of the Comptroller of the Currency (“OCC”). Effective July 21, 2011, to facilitate the OCC’s enforcement and administration of former OTS rules and to make appropriate changes to those rules to reflect OCC supervision of Federal savings

associations as of the transfer date, the OCC republished and re-codified in 12 C.F.R. Chapter I, all OTS regulations from 12 C.F.R. Chapter V that the OCC has the authority to promulgate and enforce, with appropriate nomenclature and other technical changes. 76 Fed. Reg. 48950 (August 9, 2011).

Now, the Bank, by and through its Board, executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 19, 2011, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order by the Comptroller. Pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby Orders that:

Article I

Replacement of October 6, 2009 Order

(1) The articles of the October 6, 2009 Order are replaced and superseded in their entirety by this Consent Order (hereafter referred to as the “Order”), and upon execution of the “Stipulation and Consent to the Issuance of a Consent Order,” dated December 19, 2011, the October 6, 2009 Order is hereby terminated.

Article II

Compliance Committee

(1) The Board shall ensure that the Bank maintains an active Compliance Committee consisting of at least three (3) directors of which a majority shall not consist of employees of the Bank or any of its affiliates, or family members of any such person. In the event of a change in the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller.

(2) The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order and shall meet at least monthly.

(3) Within thirty (30) days of every calendar quarter end (e.g., April 30th, July 30th, October 30th, and January 30th) the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Order;
- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller by no later than forty-five (45) days following the end of each calendar quarter (e.g., by May 15th, August 14th, November 14th and February 14th).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Order shall be forwarded to the:

Assistant Deputy Comptroller
Omaha Field Office
13710 FNB Parkway, Suite 110
Omaha, Nebraska 68154

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures, and programs required by this Order.

Article III

Capital Plan

(1) The Bank shall achieve and thereafter maintain at all times, the following minimum capital ratios:

- (a) Tier 1 capital to adjusted total assets equal to or greater than nine percent (9%); and
- (b) Total Risk-Based Capital equal to or greater than twelve percent (12%) of risk-weighted assets.

(2) For purposes of this Article, “Tier 1 capital,” “Risk-Based Capital,” and “risk-weighted assets” are as defined in 12 C.F.R. Part 167, and any successor regulations.

(3) The requirement in this Order to meet and maintain a specific capital level means that the Bank is not to be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 165, pursuant to 12 C.F.R. § 165.4(b)(1)(iv).

(4) Effective immediately, the Bank shall only declare dividends or make any other capital distributions when:

- (a) the Bank is in compliance with the Bank’s revised Capital Plan as described below;
- (b) the Bank is in compliance with all applicable laws and regulations relating to the payment of dividends, including but not limited to Section 625 of the Dodd-Frank Wall Street Reform and Consumer Protection Act; and

(c) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) Within sixty (60) days of this Order, the Board shall update, implement, and thereafter ensure Bank adherence to the Capital Plan for the Bank covering at least the next three years (hereafter the “Bank’s Capital Plan”), complete with specific time frames that incorporate the requirements of this Article. A copy of the Bank’s Capital Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(6) The Bank’s Capital Plan shall establish objectives and projections for the Bank’s overall risk profile, earnings performance, growth expectations, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, product line development and market segments that the Bank intends to promote or develop, that are specific, measurable, verifiable, and, at a minimum, address or include:

- (a) minimum capital requirements based upon a detailed analysis of the Bank’s assets, liabilities, earnings, criticized asset levels, concentrations of credit, growth objectives, internal control weaknesses, level of operational risk, and dividend expectations;
- (b) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (4) of this Article;
- (c) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three (3) years that shall address or include consideration of the requirements of this Article;

- (d) identification and assessment of the primary source(s) of capital including an evaluation of availability, from which the Bank will strengthen its capital structure and maintain capital in excess of that required by the Comptroller and set forth in the Bank's Capital Plan;
- (e) financial analysis of the holding company's ability and willingness to inject needed capital and a financial analysis of the holding company's ability and willingness to inject needed capital;
- (f) systems to monitor the Bank's progress in meeting the plan's goals and objectives; and
- (g) an annual review with appropriate revisions and adjustments to the plan.

(7) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Capital Plan.

Article IV

Service Corporation Investments

(1) As of the date of this Order, the Board shall cease to make any additional investments in its service corporation, Lincoln Land and Mortgage Company ("LLMC") absent a prior written determination of no supervisory objection.

Article V

Appraisal and Evaluation Process

(1) Within sixty (60) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a policy for LLMC designed to ensure that the Bank obtains real estate appraisals and evaluations for all properties held by the service corporation that comply with 12 C.F.R. Part 164, and any successor regulations, and OTS CEO Memorandum No. 371 (Final Interagency Appraisal and Evaluation Guidelines) dated December 2, 2010, to include at a minimum:

- (a) the establishment of criteria for obtaining updated appraisals, new appraisals, and evaluations;
- (b) the ordering of appraisals, independent of the lending function;
- (c) the use of Board approved appraisers only;
- (d) the development of procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner;
- (e) the establishment of a tickler system for tracking when appraisals, updates and evaluations are received, reviewed and adjustments are made, as appropriate, to reflect impairment consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114);
- (f) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis

commensurate with the type, size and complexity of the property being appraised.

(2) Within ninety (90) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, revisions to the Bank's Appraisal Policy designed to ensure the establishment and implementation of policy revisions to require a meaningful review, independent of the loan officer, of all appraisals, except for appraisals on 1-4 family loans sold to the secondary market, in excess of five hundred thousand (\$500,000), complex appraisals, and problem credit appraisals. The review should include analysis commensurate with the type, size and complexity of the property being appraised. To facilitate this review, the Bank shall establish guidelines based on transaction risk, transaction size, and the guidelines set forth in OTS CEO Memorandum No. 371, (Final Interagency Appraisal and Evaluation Guidelines) dated December 2, 2010, and OTS CEO Memorandum No. 213, (Frequently Asked Questions (FAQ) on the Agencies' Appraisal Regulations and Related Guidance), of March 2005.

(3) Within ninety (90) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, revisions to the Bank's Appraisal Policy designed to ensure that the Bank obtains real estate appraisals and evaluations in compliance with 12 C.F.R. Part 164, and any successor regulations, and OTS CEO Memorandum No. 371 (Final Interagency Appraisal and Evaluation Guidelines) dated December 2, 2010, to include at a minimum:

- (a) the establishment of meaningful criteria for obtaining updated appraisals, new appraisals, and evaluation, including but not

limited to, situations in which the Bank advances additional funds or where there is evident market deterioration; and

- (b) the establishment of a tickler system for tracking when appraisals, updates and evaluations are received, reviewed and adjustments are made, as appropriate, to reflect impairment consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114) and changes in risk ratings.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article VI

Problem Asset Management

(1) Effective as of the date of this Order, the Board shall take immediate and continuing action to protect its interest in those assets criticized (Special Mention, substandard, doubtful, loss) in the 2011 Report of Examination (“ROE”), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management during any examination.

(2) Within ninety (90) days of this Order, the Board shall prepare and submit to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection, a written plan designed to reduce the Bank’s criticized assets (the “Criticized Assets Reduction Plan” or “CARP”). The CARP shall include or address the following matters:

- (a) reporting of classified asset levels by type to the Board or a designated committee thereof every month;
- (b) reporting of Special Mention asset levels by type to the Board or a designated committee thereof every month; and
- (c) specific plans for the reduction of classified and Special Mention assets by asset type with target reductions by month.

(3) The Board's compliance with Paragraphs (1) and (2) of this Article shall include the development of procedures for the monthly submission and review of all criticized (Special Mention and classified) credit relationships or parcels of Other Real Estate ("ORE") totaling five hundred thousand dollars (\$500,000) or more, and that require the preparation of Criticized Asset Reports ("CARs" or "CAR") that contain, at a minimum, analysis and documentation of the following:

- (a) an identification of the expected sources of repayment and an analysis of their adequacy;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable, as well as other necessary documentation to support the collateral valuation;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;

- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;
- (f) a determination of whether the loan is considered a troubled debt restructuring, should be placed on nonaccrual, and/or is impaired and the amount of the impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114); and
- (g) for criticized relationships of five hundred thousand (\$500,000) or above that were made for the purpose of constructing or developing commercial real estate (CRE), the CARs shall also include:
 - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
 - (ii) project development status;
 - (iii) a comparison of development costs to the budgeted amount;
 - (iv) a comparison of sales activity to the original sales projections;
 - (v) the amount of initial interest reserve and the amount of any subsequent additions to the reserve;
 - (vi) an assessment of the borrower's global cash flow;

- (vii) an assessment of any guarantor's global cash flow;
and
- (viii) any other significant information relating to the
project.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the plan required by this Article.

(5) A copy of each CAR prepared during the month of each quarter end (e.g., March, June, September, and December), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within forty-five (45) days following each calendar quarter end.

(6) Effective as of the date of this Order, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized internally, in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management during any examination and whose aggregate loans or other extensions of credit equal or exceed five hundred thousand (\$500,000), unless each of the following conditions is met:

- (a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or

- capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

Article VII

Credit Risk Ratings

- (1) Effective immediately, the Board shall take the necessary steps to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, a one-time portfolio-wide review of all credit relationships in excess of five hundred thousand (\$500,000), as well as ongoing monthly review of all credit relationships that equal or exceed five hundred thousand (\$500,000) by the loan officers or other responsible staff to ensure that:
- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the requirements set forth in 12 C.F.R. § 160.160, OTS' Examination Handbook, Section 260, "Classification of Assets," July 2010, and any successor regulation or guidance;
- (b) the Bank's loans and other assets are timely placed on nonaccrual in accordance with the instructions for the preparation of Thrift

Financial Reports and once implemented, the instructions for Consolidated Reports of Income and Condition (also known as a “Call Report”), (collectively referred to as a “Public Report”) and OTS’ Examination Handbook, Section 260, “Classification of Assets,” July 2010; and

- (c) the Bank’s loans and other assets are timely designated as impaired and impairment is timely measured, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114).

(2) By no later than March 31, 2012, the Board shall prepare a written program designed to ensure that the Bank complies with Paragraph (1) of this Article, that contains at a minimum:

- (a) immediate and ongoing training for the lending staff and management with respect to the application of Paragraph (1) of this Article;
- (b) procedures to ensure that loan officers, staff and management are held accountable for failing to appropriately and timely risk rate and/or place loans on nonaccrual, including but not limited to:
 - (i) consideration of loan officer, staff and management failure to properly risk rate and/or place loans on nonaccrual in periodic performance reviews and compensation; and

(ii) the review and advance approval of any return to accrual status, or risk rating upgrade of any loan, or lending relationship, totaling five hundred thousand (\$500,000) or more, by a majority of the Board of Directors or a designated committee thereof that is supported by written documentation for the basis of the return to accrual status or upgrade that is maintained in the books and records of the Bank.

(3) After the Board has developed the program required by this Article, the Board shall immediately implement such program, and shall thereafter ensure adherence to its terms.

Article VIII

Allowance for Loan and Lease Losses

(1) Within sixty (60) days of this Order, the Board shall ensure that the Bank has appropriate written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“Allowance”) in accordance with GAAP. The Allowance policies and procedures shall be consistent with 12 C.F.R. § 160.160 and applicable regulatory guidance, including but not limited to, the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006 (OTS CEO Memorandum No. 250); OTS’ Examination Handbook, Section 261, “Adequacy of Valuation Allowances,” January 1994; OTS CEO Memorandum No. 304 (ALLL-Observed Thrift Practices Including

Sound Practices), dated May 22, 2009; and any applicable successor regulation and guidance, and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with Accounting Standards Codification 310-10 and 450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies);
- (c) procedures for annual validation of the Allowance methodology; and
- (d) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
 - (i) recent trends in the Bank's internal risk ratings, loss history, and delinquent and nonaccrual loans;
 - (ii) results of the Bank's external loan review;
 - (iii) concentrations of credit in the Bank;
 - (iv) present and prospective economic conditions; and
 - (v) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Public Report, for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Public Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

Article IX

Credit Administration

(1) Within ninety (90) days of this Order, the Board shall ensure that the Bank maintains and adheres to lending policies and procedures to ensure appropriate credit risk management and underwriting consistent with 12 C.F.R. §§ 160.101, 160.170, and the guidelines set forth in OTS' Examination Handbook, "Asset Quality," Sections 201, 208, 210, and 214, and any successor regulation or guidance, that include, at a minimum:

- (a) procedures to ensure that all CRE and 1-4 family rental loan relationships are properly monitored to include periodic receipt, analysis and documentation of sufficient financial and operating information to measure and monitor the borrower's and guarantor's financial condition and repayment ability, to include periodic (at least annually) global cash flow analysis which incorporates personal and business tax returns, business financial statements, K-1 filings, and standards for the inclusion of living expenses;

- (b) procedures requiring significant individual loan stress testing and/or sensitivity analysis for all CRE and 1-4 family rental relationships over five hundred thousand dollars (\$500,000), to quantify the impact of changing economic conditions on asset quality, earnings, and capital; and
- (c) revised policies and procedures that incorporate appropriate loan terms and amortization schedules by loan type, as well as appropriate financial reporting and financial ratio covenants by loan type. The policies and procedures should further include guidelines governing re-aging, curtailment, the granting of extensions, deferrals, renewals, and rewrites which conform to regulatory guidance.

(2) Effective as of the date of this Order, the Bank may not grant, extend, renew, modify or restructure any CRE or 1-4 family rental loan relationships, or purchase any such loan participation, equal to or exceeding five hundred thousand (\$500,000), without:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining current and satisfactory credit information, including

- performing and documenting analysis of credit information and a detailed cash flow analysis of all expected repayment sources;
- (e) determining and documenting whether the loan complies with the Bank's lending policies and procedures and if it does not comply, providing identification of the exception and justification to support waiving the policy exception;
 - (f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
 - (g) providing an accurate risk assessment grade and proper accrual status for each credit;
 - (h) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable;
 - (i) ensuring that any loan participations purchased are consistent with sound banking practices, the guidelines set forth in OTS' Examination Handbook, Section 201.6, "Limits and Guidelines for Purchasing Loans," June 2005, and any successor regulation or guidance; and
 - (j) obtaining the written approval of the Bank's Loan Committee, Secondary Market Loan Committee or Board.

(3) The Board shall take the necessary steps to ensure that current and satisfactory credit and proper collateral information is maintained on all loans. By March

31, 2012, the Board shall use its best efforts to ensure that the Bank obtains any missing credit or collateral information described in the ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management at the conclusion of an examination.

(4) By March 31, 2012, the Board shall revise, adopt, implement, and thereafter ensure Bank adherence to a written program of policies and procedures designed to aggregate and track exceptions to the revised Bank Loan Policy and underwriting guidelines for all loans and exceptions to the appraisal requirements. This includes, at a minimum, monthly Board monitoring of policy exception reports that track aggregate number and dollar amount of loans with material underwriting exceptions by type of loan and loan officer.

(5) By March 31, 2012, the Board shall take the necessary steps to eliminate credit, collateral, and Bank Loan Policy exceptions, and to include, at a minimum, the development of a program that makes loan officers accountable for such exceptions and considers such exceptions in the periodic performance reviews and compensation of such loan officers.

(6) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the program, policies and procedures required by this Article.

Article X

Troubled Debt Restructure Policy

(1) By March 31, 2012, the Board shall review, revise and submit to the Assistant Deputy Comptroller for a prior written no supervisory objection, the Bank's

written Troubled Debt Restructure Policy. In revising this policy, the Board shall refer to and comply with OTS Thrift Bulletin 85 (Regulatory and Accounting Issues Related to Modifications and Troubled Debt Restructurings of 1-4 Residential Mortgage Loans), and OTS' Examination Handbook, Section 240, "Troubled Debt Restructuring." This policy shall incorporate, but not be limited to, the following:

- (a) a definition of troubled debt restructure ("TDR");
- (b) management roles and responsibilities;
- (c) documentation requirements from the borrower and documentation/analysis requirements for the Bank;
- (d) methodology for determining impairment;
- (e) a description of when an appraisal is required to determine impairment, considering the type, complexity and size of the problem loan;
- (f) a description of how impairment is to be calculated to ensure proper accounting treatment in accordance with Accounting Standards Codification 310-10 (formerly known as Statement of Financial Accounting Standards No. 114);
- (g) the Bank's loan and other assets are timely designated as troubled debt restructurings in accordance with the instructions for preparation of the Public Reports and consistent with Accounting Standards Codification 310-40 (formerly known as FASB Statement of Financial Accounting Standards No. 15) and Accounting Standards Update 2011-2;

(h) the frequency of ongoing impairment measurements for TDRs; and classification and nonaccrual practices for TDRs.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the policy and procedures required by this Article.

Article XI

External Loan Review

(1) Within sixty (60) days of this MOU, the Board shall employ a qualified, independent consultant or firm to perform semi-annual asset quality reviews of the Bank's loan portfolio with the first report due no later than March 31, 2012, and with the first loan review covering a significant portion of both the 1-4 family rental and CRE portfolios. The proposed consultant or firm may not be the same consultant or firm who has performed loan risk rating or review procedures for the Bank or any affiliate of the Bank in either of the last two years. The review shall provide for a written report to be filed with the Board after each review, and use a loan and lease grading system consistent with GAAP, 12 C.F.R. § 160.160, and the OTS' Examination Handbook, Section 260, "Classification of Assets," July 2010, and any successor regulations and guidance. Such reports shall, at a minimum, include the consultant's or firm's comments and conclusions regarding:

- (a) the identification, type, rating, and amount of all criticized loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans;

- (c) the identification/status of credit related violations of law or regulation;
- (d) loans not in conformance with the Bank's lending policies;
- (e) credit underwriting and documentation exceptions;
- (f) credit analysis and documentation of such analysis;
- (g) accuracy of internal risk ratings;
- (h) completeness and effectiveness of problem loan workout plans;
- (i) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (i) of this Article;
- (j) overall credit administration practices;
- (k) concentrations of credit;
- (l) the accuracy of the Allowance for Loan and Lease Losses;
- (m) an evaluation of the Bank's efforts to manage and account for its ORE in accordance with the OTS' Examination Handbook, Section 251, "Real Estate Owned and Repossessed Assets," December 2010, 12 C.F.R. §§ 160.172, 167.1, and any successor regulation or guidance;
- (n) loans and leases to affiliates, insiders, and related parties; and
- (o) any recommendations for improvements.

(2) Prior to the appointment or employment of any consultant or firm or entering into any contract with any consultant or firm, the Board shall submit the name and qualifications of the proposed consultant or firm and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no

supervisory objection. After the Assistant Deputy Comptroller has advised the Bank that it does not take supervisory objection to the consultant or firm, and the scope of the review, the Board shall immediately engage the consultant or firm pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action is taken upon the findings noted in the reports.

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, as well as actions taken to address any systemic deficiencies, shall be maintained in the books and records of the Bank, with a copy submitted to the Assistant Deputy Comptroller.

(5) The Bank shall not terminate the consultant's or firm's asset quality review services without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

Article XII

Lending Staffing Study

(1) Within thirty (30) days of this Order, the Board shall employ a qualified, independent credit risk management consultant ("Consultant"). Prior to the appointment or employment of any individual as Consultant or entering into any contract with any Consultant, the Board shall submit the name and qualifications of the proposed Consultant and the proposed scope and terms of employment to the Assistant Deputy

Comptroller for a prior written determination of no supervisory objection. After the Assistant Deputy Comptroller has advised the Bank that it does not take supervisory objection to the Consultant or the scope of the review, the Board shall immediately engage the Consultant pursuant to the proposed terms of the engagement.

(2) Within ninety (90) days of this Order, the Consultant shall complete a study of the Bank's current lending staff. The findings and recommendations of the Consultant shall be set forth in a written report (the "Lending Management Study") to the Board. At a minimum, the Lending Management Study shall contain:

- (a) the identification of present and future staffing requirements of the Bank over the next twelve (12) to twenty-four (24) months, at a minimum, that recognizes the need for individuals with skills in commercial real estate analysis and underwriting;
- (b) an evaluation of the knowledge, skills, and abilities of each lending officer, including those involved in lending oversight, and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of each respective position;
- (c) recommendations as to whether staffing changes should be made, including the need for additions to, or deletions from, the lending staff that considers the determinations made in Subparagraph (a);
- (d) a recommended training program to address identified weaknesses in the skills and abilities of the staff, which the Senior Lending Officer shall be tasked with implementing and administering; and

(e) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the lending management of the Bank.

(3) Within thirty(30) days of completion of the Lending Management Study, the Board shall direct any changes necessary to provide the Bank with a lending staff that possesses the skills and expertise to ensure the Bank operates in a safe and sound manner and the Bank attains compliance with the various credit risk management articles in this Order.

(4) Copies of the Lending Management Study shall be forwarded to the Assistant Deputy Comptroller upon its completion. The Assistant Deputy Comptroller shall retain the right to determine whether the Lending Management Study complies with the terms of this Order.

Article XIII

Liquidity Management

(1) Within ninety (90) days of this Order, the Board shall develop and submit for a prior written determination of no supervisory objection, a revised, written liquidity program to ensure that the Bank maintains liquidity at a level that is sufficient to sustain the Bank's current operations and to withstand any anticipated or extraordinary demand against its funding base, to address the requirements set forth in applicable regulations and guidance, including but not limited to, 12 C.F.R. § 163.161(a)(2); OTS CEO Memorandum No. 342 (Interagency Policy Statement on Funding and Liquidity Management), dated March 17, 2010 and OTS Examination Handbook, Section 510,

“Funds Management,” April 2001 and Section 530, “Liquidity Risk Management,”

January 2010, and any successor regulations and guidance, and include at a minimum:

- (a) measures to maintain sufficient on-balance sheet liquidity;
- (b) policies and procedures to ensure the implementation of adequate liquidity planning tools, to include:
 - (i) a sources and uses of funds report which details the bank’s projected sources and uses of funds for one, three, six and twelve month intervals, updated on a quarterly basis, consistent with the Board’s guidance and risk tolerances;
 - (ii) specific balance sheet liquidity targets that are consistent with the tools used to measure performance;
 - (iii) reasonable risk limits to control the level of liquidity risk that incorporate forward-looking risk measurements and liability concentration limits such as limits on the amount of funds that may be sourced from any individual customer or groups of customers, or liability concentration limits by instrument; and
- (c) a revised contingency funding plan that incorporates a stress test analysis for projected cash flows that ensures the Bank can remain solvent through stressed environments and includes, at a minimum:
 - (i) management’s best estimate of balance sheet changes that may result from a liquidity or credit event;
 - (ii) specific terms or events that trigger enactment of the plan;

- (iii) necessary management information systems and reporting criteria for use in crisis situations;
- (iv) management responsibilities for enacting the plan and for taking specific actions once enacted;
- (v) prioritization of all sources of funding for the various scenarios including asset side funding, liability side funding, and off-balance sheet funding;
- (vi) periodic review of the plan after each stress test to ensure that the plan remains acceptable.

(2) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the policy and procedures required by this Article.

Article XIV

Pre-Purchase Analysis

(1) By March 31, 2012, the Board shall take the necessary steps to ensure that the Bank's investment activities conform to safe and sound banking practices, and include at a minimum:

- (a) measures to ensure that the Bank conducts appropriate pre-purchase analysis prior to purchasing any new, complex investment securities;
- (b) policies and procedures to ensure that the Bank obtains quarterly updates on all complex securities; and

- (c) development of a check list to assist with the abovementioned documentation requirements.

Article XV

Closing

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(2) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) The provisions of this Order shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(4) In each instance in this Order in which the Bank or the Board is required to ensure implementation of or adherence to, or to undertake to perform, an obligation of the Bank, the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary or appropriate for the Bank to perform its obligations under this Order;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner for any non-compliance with such actions.

(5) This Order is intended to be, and shall be construed to be, a final Order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding the Comptroller or the United States.

(6) The terms of this Order, including this Paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned has hereunto set his hand.

/s/
Troy L. Thornton
Assistant Deputy Comptroller
Omaha Field Office

12/19/11
Date