

**Also Terminates OTS # WN 10-009 and OTS # WN 10-037**

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

<b>In the Matter of:</b>	)	
Liberty Federal Savings Bank	)	AA-EC-2013-80
Enid, Oklahoma	)	

**CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his authorized representative, has supervisory authority over Liberty Federal Savings Bank, Enid, Oklahoma (“Bank”);

**WHEREAS**, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation and Consent”), dated November 15, 2013, that is accepted by the Comptroller, through his duly authorized representative; and

**WHEREAS**, by this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

**NOW THEREFORE**, pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within ten (10) days of the date of this Order, the Board shall appoint and maintain an active Compliance Committee of at least three (3) directors, of which at least two (2) shall not be employees, former employees, or controlling shareholders of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1) and 12 C.F.R. § 223.2), or a family member of any such person. Upon appointment, the names of the members of the

Compliance Committee and, in the event of a change of the membership, the name of any new member shall be immediately submitted in writing to the Director for Special Supervision (“Director”). The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) By December 31, 2013, and by the end of every month thereafter or within such other time period as the Director requires in writing, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the actions needed to achieve full compliance with each Article of this Order, Bank personnel responsible for implementing the corrective actions, and the timeframes for completion;
- (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 Director within ten (10) days of receiving such report.

## ARTICLE II

### STRATEGIC PLAN

(1) Within ninety (90) days of the date of this Order, the Board shall prepare and forward to the Director for his review, pursuant to paragraph two (2) of this Article, a written Strategic Plan for the Bank that is acceptable to the Director, covering at least a two (2) year period. The Strategic Plan shall establish objectives for the Bank’s overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital

and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) the strategic goals and objectives to be accomplished, including key financial indicators and risk tolerances;
- (c) an assessment of the Bank's strengths, weaknesses, opportunities, and threats that impact strategic goals and objectives;
- (d) an identification and prioritization of initiatives and opportunities, including timeframes that take into account the requirements of this Order;
- (e) a description of the Bank's targeted market(s) and competitive factors in its identified target market(s) and a description of control systems to mitigate risks in the Bank's markets;
- (f) an assessment of the present and planned product lines (assets and liabilities) and the identification of appropriate risk management systems to identify, measure, monitor, and control risks within the product lines;
- (g) assigned responsibilities and accountability for the strategic planning process; and
- (h) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be submitted to the Director for review and prior written determination of no supervisory objection. At the next Board meeting following receipt of the

Director's written determination of no supervisory objection, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan.

(3) The Bank may not initiate any action that deviates significantly from the Strategic Plan (that has received a no supervisory objection from the Director and that has been adopted by the Board) without a written determination of no supervisory objection from the Director. The Board must give the Director at least thirty (30) days advance written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan. For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in the aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(4) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the

Board meeting minutes. The Board shall forward a copy of these quarterly reports to the Director within ten (10) days of completion of its review.

(5) The Board shall review and update the Strategic Plan at least annually, no later than July 31 each year, and more frequently if necessary or if requested by the Director in writing.

(6) Until the Strategic Plan required under this Article has been submitted by the Bank for the Director's review, has received a written determination of no supervisory objection from the Director, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Order without first obtaining the Director's prior written determination of no supervisory objection to such significant deviation. Any request to the Director for prior written determination of no supervisory objection to a significant deviation must be submitted to the Director at least thirty (30) days in advance of the significant deviation, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change.

### ARTICLE III

#### CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by February 28, 2014, and thereafter maintain the following capital ratios (as defined in 12 C.F.R. Parts 165 and 167):

- (a) Total risk-based capital ratio at equal to or greater than eleven percent (11%);  
and
- (b) Tier 1 capital to adjusted total assets ratio (“leverage ratio”) equal to or  
greater than eight percent (8%).

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

(3) Within ninety (90) days of the date of this Order, the Board shall develop and implement an effective internal capital planning process to assess the Bank’s capital adequacy in relation to its overall risks and to ensure maintenance of appropriate capital levels, which shall in no event be less than the requirements of paragraph one (1) of this Article. The capital planning process shall be consistent with OCC Bulletin 2012-16 (Guidance for Evaluating Capital Planning and Adequacy) (June 7, 2012), and shall ensure the integrity, objectivity, and consistency of the process through adequate governance. The Board shall document the initial capital planning process and thereafter review and document the capital planning process at least annually or more frequently if requested by the Director in writing.

(4) Within ninety (90) days of the date of this Order, the Board shall forward to the Director for his review, pursuant to paragraph seven (7) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan required by Article II, covering at least a two (2) year period. The written Capital Plan shall, at a minimum:

- (a) include specific plans for the achievement and maintenance of adequate capital, which shall in no event be less than the requirements of paragraph one (1) of this Article;

- (b) identify and evaluate all material risks;
- (c) determine the Bank's capital needs in relation to material risks and strategic direction;
- (d) identify and establish a strategy to maintain capital adequacy and strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
- (e) include detailed quarterly financial projections; and
- (f) include specific plans detailing how the Bank will comply with restrictions or requirements set forth in this Order that will have an impact on the Bank's capital.

(5) If the Bank's written Capital Plan outlines a sale or merger of the Bank, the written Capital Plan shall address the steps that will be taken and the associated timeline to ensure that within ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the written Capital Plan, a definitive agreement for the sale or merger is executed.

(6) If the Bank's written Capital Plan outlines a conversion of the Bank from mutual to stock form, the written Capital Plan shall address the steps that will be taken and the associated timeline to ensure that within ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the written Capital Plan, the stock offering is completed.

(7) Prior to adoption by the Board, a copy of the Bank's written Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. The Board shall review and update the Bank's written Capital Plan at least annually, no later than July 31 each year, and more frequently if required by the Director in writing. Revisions to the Bank's written

Capital Plan shall be submitted to the Director for a prior written determination of no supervisory objection. At the next Board meeting following receipt of the Director's written determination of no supervisory objection, the Board shall thereafter adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the written Capital Plan and any amendments or revisions thereto.

(8) At least monthly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the written Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including descriptions of extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board will require the Bank to take to address any deficiencies. At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the written Capital Plan, which shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Upon completion of the evaluation, the Board shall submit a copy to the Director.

(9) If the Bank fails to maintain capital ratios required by paragraph one (1) of this Article, fails to submit a Capital Plan as required by paragraph four (4) of this Article, or fails to implement an acceptable written Capital Plan to which the Director has provided a written determination of no supervisory objection, then the Bank may, in the Director's sole discretion, be deemed undercapitalized for purposes of this Order. The Bank shall take such corrective measures as the OCC may direct in writing from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 165. For purposes of this requirement, an action "necessary to carry out the purpose of this section" under 12 U.S.C.

§ 1831o(e)(5) shall include restoration of the Bank’s capital to the minimum ratios required by paragraph one (1) of this Article, and any other action deemed necessary by the OCC to address the Bank’s capital deficiency or the safety and soundness of its operations.

#### ARTICLE IV

##### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within ninety (90) days of the date of this Order, the Board shall adopt and take the necessary steps to implement corporate governance and decision-making processes to correct the Bank’s deficiencies in management, leadership, and Board oversight as described in the most recent Report of Examination (“most recent ROE”). At a minimum, the Board, a committee thereof, or an independent third party reporting to the Board, shall ensure and document the following:

- (a) executive officers are capable of performing present and anticipated duties, factoring in each officer’s past actual performance, experience, and qualifications, compared to their position description, duties and responsibilities, with particular emphasis on their proposed responsibilities to execute the Strategic Plan, achieve and maintain the minimum capital ratios required by Article II of this Order, and correct the concerns raised in the most recent ROE;
- (b) clear lines of responsibility and authority for each member of senior management, including but not limited to, the Chairman of the Board, Chief Executive Officer (“CEO”), President, Chief Credit Officer (“CCO”), and Chief Financial Officer (“CFO”);

- (c) a management employment and succession program to promote the retention and continuity of capable management;
- (d) sufficient policies, processes, personnel, and control systems to effectively implement and adhere to all provisions of this Order;
- (e) Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (f) a process to evaluate, at least annually, the Bank's overall internal operations, staffing, Board and management oversight and information systems, policies, procedures, and other risk management systems with time sensitive strategies to address any deficiencies;
- (g) a process exists to ensure that management appropriately responds to any audit, compliance, and/or regulatory criticisms; and
- (h) that the Board receives and reviews sufficient Bank information from management (including scope, frequency, and content) on the operation of the Bank and compliance with this Order to enable them to provide oversight and fulfill their fiduciary duties and other responsibilities under law and as outlined in the OCC's "The Directors Book" and "Duties and Responsibilities of Directors" booklet (Section 501) of the *Comptroller's Handbook*.

(2) The Board shall perform and prepare an annual written performance appraisal for each Bank senior executive officer that evaluates his or her performance according to the position's description and responsibilities. Each annual written performance appraisal also must address the following as it applies to each senior executive officer:

- (a) compliance with objectives established by the Board;
- (b) compliance with Board approved policies and procedures;
- (c) compliance with Board approved strategic and capital plans;
- (d) compliance with action plans to remedy issues raised in Reports of Examination or audit reports; and
- (e) compliance with laws, regulations, and regulatory guidance.

(3) The Board shall ensure that the Bank addresses any deficiencies identified pursuant to paragraph two (2) of this Article.

## ARTICLE V

### LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days of the date of this Order, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to a written program to improve the Bank's loan portfolio management. The program and corresponding procedures shall be consistent with the "Loan Portfolio Management" booklet of the *Comptroller's Handbook*. The program shall include, but not be limited to, the following minimum requirements:

- (a) procedures to ensure conformance with sound loan underwriting and approval requirements;
- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (c) procedures to ensure satisfactory credit and collateral documentation;
- (d) procedures to track and analyze policy exceptions;

- (e) procedures to identify, measure, monitor and control concentrations of credit that are consistent with the guidance set forth in OCC Bulletin 2006-46 (December 6, 2006) and the “Concentration of Credit” booklet of the *Comptroller’s Handbook*; and
- (f) procedures to ensure the implementation of timely, complete, and accurate internal loan portfolio management information systems.

(2) The Board shall ensure that all Bank lenders or any other personnel performing credit analyses receive loan policy training at least annually and be adequately trained in cash flow analysis, particularly analysis using information on a global cash flow basis, evaluation of contingent liabilities, and verification of liquidity. Processes and procedures must be in place to ensure that additional training is provided as needed.

## ARTICLE VI

### CRITICIZED ASSET REDUCTION PLAN

(1) Within sixty (60) days of the date of this Order, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure Bank adherence to a revised Criticized Asset Reduction Plan (“CARP”), which shall be designed to eliminate the basis of criticism of assets criticized in the most recent ROE, in any subsequent ROE, by any internal or external loan review, or in any list provided to management by OCC Examiners during any examination as “doubtful,” “substandard,” or “special mention.” The CARP shall include, at a minimum:

- (a) targets for the level of criticized assets as a percentage of Tier 1 capital plus the Allowance for Loan and Lease Losses (“ALLL”) and the timeframes for each such target;

- (b) a description of the methods for reducing the level of criticized assets to the established targets;
- (c) sufficient staff with the qualifications, skills, and experience to effectively manage and resolve problem assets;
- (d) adequate management information systems to measure the status of problem assets; and
- (e) the development of Criticized Asset Reports (“CARs”) identifying all credit relationships and other assets totaling in aggregate two hundred fifty thousand dollars (\$250,000) or more, criticized as “doubtful,” “substandard,” or “special mention.” The CARs must be updated and submitted to the Board, or a committee thereof, monthly and the Director quarterly.

(2) Each CAR shall cover an entire credit relationship and include, at a minimum, analysis and documentation of the following:

- (a) the origination date and any renewal or extension dates, amount, purpose of the loan, and the originating and current loan officer(s);
- (b) the expected primary and secondary sources of repayment, and an analysis of the adequacy of the repayment source;
- (c) 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 current collateral valuation;
- (d) an analysis of current and complete credit information, including global cash flow analysis where loans are to be repaid from operations;

- (e) results of an impairment analysis as required under Accounting Standards Codification (“ASC”) 310-10 (formerly Financial Accounting Standards (“FAS”) Statement No. 114);
- (f) accurate risk ratings consistent with the classification standards contained in the “Rating Credit Risk” booklet of the *Comptroller’s Handbook*;
- (g) appropriate accrual status pursuant to the FFIEC Instructions for the Preparation of Consolidated Reports of Condition and Income;
- (h) significant developments, including a discussion of changes since the prior CAR, if any; and
- (i) the proposed action to eliminate the basis of criticism and the timeframe for its accomplishment, including, if appropriate, an exit strategy.

(3) The Bank shall not extend credit, directly or indirectly, including renewals, modifications, or extensions, to borrowers whose loans or other extensions of credit are subject to a CAR, or are criticized in any ROE, in any internal or external loan review, or in any list provided to management by OCC Examiners during any examination, unless and until a majority of the Board or a designated committee thereof, determines in writing that each of the following conditions for loans or extensions of credit totaling in the aggregate two hundred fifty thousand dollars (\$250,000) is met:

- (a) the extension of additional credit is necessary to promote the best interests of the Bank;
- (b) the Bank has performed a written credit and collateral analysis as required by paragraphs (2)(c) and (2)(d) of this Article and, if necessary, the

proposed action referred to in paragraph (2)(i) of this Article is revised, as appropriate;

- (c) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of additional credit; and
- (d) a copy of the findings and approval of the Board or designated committee thereof shall be maintained in the credit file of the affected borrower.

(4) At least quarterly, the Board or a designated committee thereof, shall review and evaluate the effectiveness of the CARP and the CARs. The Board's review shall include an assessment of the Bank's compliance with the CARP and the CARs. Written documentation of the factors considered and conclusions reached by the Board in determining the Bank's compliance and progress reducing the level of problem assets shall be maintained.

## ARTICLE VII

### LOAN REVIEW

(1) Within ninety (90) days of the date of this Order, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to an effective, independent, and ongoing independent loan review program to review, at least quarterly, the Bank's loan and lease portfolios, to assure the timely identification and categorization of problem credits. The program shall provide for a written report to be filed with the Board or committee thereof promptly after each review and shall employ a loan and lease rating system consistent with the guidelines set forth in the "Rating Credit Risk" and "Allowance for Loan and Lease Losses," booklets of the *Comptroller's Handbook*. Such written reports shall include, at a minimum, conclusions regarding the following:

- (a) the loan review scope and coverage parameters;

- (b) the overall quality of the loan and lease portfolios;
- (c) the overall underwriting and approval process;
- (d) the overall credit administration process;
- (e) the volume and types of concentrations of credit and corresponding internal risk management;
- (f) the identification, type, rating, and amount of problem loans and leases;
- (g) the identification and amount of delinquent and nonaccrual loans and leases;
- (h) loans and leases to the directors, executive officers, and principal shareholders of the Bank and to their related interests;
- (i) credit underwriting and collateral documentation exceptions;
- (j) credit analysis and documentation of such analysis;
- (k) accuracy of internal risk ratings;
- (l) completeness and effectiveness of problem loan workout plans;
- (m) the independence and appropriateness of the collateral valuation process;
- (n) the accuracy of the Bank's recognition of troubled debt restructurings;
- (o) the identity of the loan officer(s) of each of the loans reported in accordance with subparagraphs (b) through (h);
- (p) the identification and status of credit-related violations of law, rule, or regulation;
- (q) adequacy of the Bank's Allowance for Loan and Lease Losses; and

(r) loans and leases and other extensions of credit in nonconformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) The Board shall evaluate the loan and lease review report(s), upon receipt, and shall ensure that the Bank takes immediate, adequate, and continuing remedial action, as appropriate, upon all findings noted in the report(s). At least quarterly, the Bank shall provide written reports to the Board on the remedial actions taken by the Bank upon findings noted in the loan review report(s). The Board shall also ensure that the Bank preserves documentation of any actions taken by the Bank to collect or strengthen assets identified as problem credits.

## ARTICLE VIII

### ANNUAL AUDIT

(1) Within ninety (90) days after the end of the Bank's fiscal year, the Board 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. § 162.4. To be qualified, the independent public accounting firm shall (i) meet the qualification requirement of 12 C.F.R. § 162.4; and (ii) have experience in conducting audits of federal savings associations. Thirty (30) days prior to the retention of the public accounting firm, the Board shall submit the engagement letter and qualifications of the firm to the Director for review. Within ninety (90) days following the end of the Bank's fiscal year, the Board shall submit to the Director two (2) complete copies of the signed, independent auditor's report on its annual financial statement together with copies of all related letters and reports from the independent auditor.

## ARTICLE IX

### LIQUIDITY RISK MANAGEMENT

(1) Within sixty (60) days of the date of this Order, the Board or a committee thereof shall develop and adopt, and the Bank, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure Bank adherence to a comprehensive written Liquidity Risk Management Program, which includes assessing, on an ongoing basis, the Bank's current and projected funding needs and ensuring that sufficient funds or access to funds exist to meet those needs and is appropriate in light of the Bank's risk profile and in accordance with the Director approved Strategic and Capital Plans and the "Liquidity" booklet of the *Comptroller's Handbook*.

(2) Within sixty (60) days of the date of this Order, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to a comprehensive Bank-specific written Contingency Funding Plan ("CFP") consistent with the guidelines set forth in the "Liquidity" booklet of the *Comptroller's Handbook*. The CFP shall, at a minimum, include:

- (a) a description of specific stress scenarios, quantified projected effects of the various stress scenarios on cash flows, and specific action plans to be enacted in the case of each scenario;
- (b) management's best estimate of balance sheet changes that may result from each of the stress scenarios and corresponding action plans;
- (c) specific terms or events that alert management to potential problems and trigger enactment of the plan;

- (d) necessary management information systems and reporting criteria for use in crisis situations;
- (e) management responsibilities for enacting the plan and for taking specific actions once enacted;
- (f) prioritization of all sources of funding for the various scenarios including asset side funding, liability side funding, and off-balance sheet funding; and
- (g) testing of all liquidity sources at least annually.

(3) Upon adoption, the Board shall forward to the Director a copy of the Liquidity Risk Management Program required by paragraph one (1) of this Article and the CFP required by paragraph three (3) of this Article.

(4) At least annually, the Board shall revise the Bank's Liquidity Risk Management Program and CFP to fit with the Strategic and Capital Plans.

## ARTICLE X

### INTEREST RATE RISK POLICY

(1) Within sixty (60) days of the date of this Order, the Board shall revise its written interest rate risk ("IRR") policy ("IRR Policy") to ensure that it addresses all IRR-related corrective actions in the most recent ROE, conforms to the guidelines in the "Interest Rate Risk" booklet of the *Comptroller's Handbook* and OCC Bulletin 2010-1 (Interagency Advisory on IRR Management) (Jan. 6, 2011), ensures that the Bank utilizes an appropriate measurement model that captures the significant forms of IRR exposure affecting the Bank's performance, and is consistent with applicable regulatory guidance. The IRR Policy shall provide for a coordinated IRR strategy and include, at a minimum, the following:

- (a) prudent limits on the nature and amount of IRR that can be taken, including earnings at risk and economic value of equity;
- (b) establishment and guidance of the Bank's strategic direction and tolerance for IRR;
- (c) implementation of effective tools to measure and monitor the Bank's performance and overall IRR profile;
- (d) establishment of adequate management reports on which to base sound IRR management decisions; and
- (e) periodic independent review of the Bank's adherence to the IRR Policy.

(2) Upon completion, the Board shall thereafter adopt and the Bank, subject to Board Review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the revised IRR Policy.

## ARTICLE XI

### BUSINESS CONTINUITY PLANNING

(1) Within ninety (90) days of the date of this Order, the Board shall adopt a comprehensive, written business continuity plan ("BCP"). The BCP shall be consistent with guidance communicated in the "Business Continuity Planning" booklet of the *FFIEC Information Technology Examination Handbook*. At a minimum, the BCP shall include:

- (a) a business impact analysis that includes:
  - (i) the identification of the potential impact of uncontrolled, non-specific events on the institution's business processes and its customers; and

- (ii) an estimation of the maximum allowable downtime and acceptable levels of data, operations, and financial losses.
- (b) a risk assessment process that includes:
  - (i) the prioritization of potential business disruptions based upon severity and likelihood of occurrence;
  - (ii) a gap analysis comparing the institution's existing business resumption plans, if any, to what is necessary to achieve recovery time and point objectives; and
  - (iii) an analysis of threats based upon the impact on the institution, its customers, and the financial markets, not just the nature of the threat.
- (c) a risk monitoring process that includes:
  - (i) testing of the BCP on at least an annual basis;
  - (ii) independent audit and review of the BCP; and
  - (iii) updating the BCP based upon changes to personnel and the internal and external environments.

(2) A copy of the BCP, or any subsequent amendments or changes to the BCP, shall be forwarded to the Director for review and determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Director, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to the BCP.

## ARTICLE XII

### TRUST OPERATIONS AND CONTROLS

(1) Within sixty (60) days of the date of this Order, the Board shall adopt, and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to a written risk management program to improve the Bank's trust operations and controls and lower its operational and compliance risk. The program, including policies and procedures, shall be consistent with the "Asset Management," "Asset Management Operations and Controls," and "Personal Fiduciary Services" booklets of the *Comptroller's Handbook*, and shall be adequate to ensure compliance with all applicable laws, rules, regulations, and fiduciary principles. The program shall include, at a minimum:

- (a) policies and procedures adequate to ensure the segregation of the trust department's administrative and portfolio management functions from its operational functions, including, at a minimum:
  - (i) policies and procedures to ensure that no single person can move or transfer cash, securities, or tangible assets on their own;
  - (ii) policies and procedures adequate to ensure that control processes such as reconcilements, are performed by persons independent of those who authorize or post transactions;
- (b) policies and procedures for performing and documenting reviews of fiduciary accounts in accordance with 12 C.F.R. §§ 150.200, 150.210, and 150.220;
- (c) procedures for posting transactions, making cash entries, and performing reconcilements promptly and accurately;

- (d) policies and procedures for the administration of irrevocable life insurance trust accounts, including, at a minimum, policies and procedures adequate to ensure that trust beneficiaries receive actual, timely notice of their right to withdraw contributed property from the trust prior to the lapse of such rights;
- (e) a comprehensive training program to administer the Bank's trust activities in accordance with all applicable laws, rules, regulations, and fiduciary principals;
- (f) an independent, internal audit that tests, at least annually, the trust department's compliance with all applicable laws, rules, and regulations, including 12 C.F.R. Part 150; and
- (g) sufficient staff with the qualifications, skills, and experience to effectively implement the program required by this Article.

(2) Upon adoption, the Board shall forward a copy of the written risk management program required by this Article to the Director.

### ARTICLE XIII

#### THIRD PARTY CONTRACTS INVOLVING SALE, MERGER, OR RECAPITALIZATION

(1) The Bank shall not enter into any contract with a third party to assist in the sale, merger, or recapitalization of the Bank that requires the payment of anything other than expenses prior to such sale, merger, or recapitalization, or that requires the Bank to pay, directly or indirectly, the cost of performing due diligence, or other services related to the transaction, unless the Bank first receives the Director's written determination of no supervisory objection..

(2) Any request for the Director's written determination of no supervisory objection

shall include:

- (a) the Board's written analysis of why the proposed contract is in the best interests of the Bank;
- (b) a description of the due diligence credit review, fairness opinion or any other services to be performed by the third party, including a copy of the proposed contract or engagement;
- (c) a description of the Bank's due diligence process for agreeing to the services to be performed by a potential purchaser or merger partner; and
- (d) a determination by the Board that:
  - (i) the activities to be performed by the third party as part of the sale or merger requirements are fair and reasonable to the Bank;
  - (ii) the parties are able to perform under the contract or commitment;
  - (iii) the fees the Bank is required to pay to the third party are reasonable for the services provided; and
  - (iv) the contract is in the best interests of the Bank.

(3) Following any written determination of no supervisory objection by the Director, the Board shall regularly monitor the contractor or service provider's performance to ensure that the contractor or service provider is complying with the written contract or engagement. The Board shall immediately take appropriate action if the contractor or service provider is not complying with the written contract or engagement and shall maintain documentation of any such items.

## ARTICLE XIV

### VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in the most recent ROE, any subsequent ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within ninety (90) days after the violation is cited or brought to the Board's or appropriate Board committee's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within ninety (90) days of the date of this Order and thereafter within receipt of an ROE, the Board shall adopt and the Bank, subject to Board review and ongoing monitoring, shall implement and thereafter ensure adherence to:

- (a) specific procedures to prevent future violations as cited in the most recent and future ROEs; and
- (b) general procedures addressing compliance management that incorporate internal control systems and education of employees regarding laws, rules, and regulations applicable to their areas of responsibility.

## ARTICLE XV

### OTHER PROVISIONS

(1) Although the Bank is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the

Director, 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) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America 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) Each citation or referenced guidance included in this Order includes any subsequent guidance that replaces, supersedes, amends, or revises the cited law, regulation, or guidance.

(4) The provisions of this Order are effective upon issuance by the Comptroller, through his authorized representative whose hand appears below, and 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, through his authorized representative.

(5) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(6) If the Bank requires a waiver or suspension of any provision or an extension of any timeframe within this Order, the Board shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail, with relevant supporting documentation, the special facts and circumstances that support the waiver or suspension of any provision or an extension of a timeframe within this Order.

(7) The Director's decision concerning a request submitted pursuant to paragraph six (6) of this Article is final and not subject to further review.

(8) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to ensure implementation of and adherence to this Order, and that Bank management and personnel have sufficient training and authority to execute their duties under this Order;
- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner for any non-compliance with such actions.

(9) 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 on the Comptroller or the United States.

(10) The Office of Thrift Supervision ("OTS") issued a Cease and Desist Order to the Bank on March 23, 2010 OTS Order No. WN 10-009. This Order replaces the OTS Order No.

WN 10-009 in its entirety and, therefore, OTS Order No. WN 10-009 is hereby terminated.

Provided however, no provision in this Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its institution-affiliated parties for any failure to comply with the OTS Order No. WN 10-009 while it was effective.

(11) The OTS issued a Prompt Corrective Action Directive to the Bank on December 22, 2010, OTS Order No. WN-10-037. This Order replaces OTS Order No. WN-10-037 in its entirety and, therefore, OTS Order No. WN-10-037 is hereby terminated. Provided however, no provision in this Consent Order shall bar or otherwise limit any enforcement action the OCC may choose to initiate, in its discretion, against the Bank or its IAPs for any failure to comply with OTS Order No. WN-10-037 while it was effective.

(12) All reports or plans which the Bank or Board has agreed to submit to the Director pursuant to this Order shall be forwarded, by overnight mail or via email, to the following:

Director for Special Supervision  
Comptroller of the Currency  
400 7<sup>th</sup> Street, S.W., Suite 3E-218  
Mail Stop 8E-12  
Washington, D.C. 20219

*with a copy to:*  
Tulsa, Oklahoma Field Office  
Comptroller of the Currency  
8282 S. Memorial Dr.  
Tulsa, OK 74133

(13) 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.

IT IS SO ORDERED, this 15th day of November, 2013.

                  /signed/                  

James R. Moore  
Director for Special Supervision

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

<b>In the Matter of:</b>	)	
Liberty Federal Savings Bank	)	AA-EC-2013-80
Enid, Oklahoma	)	

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) intends to initiate cease and desist proceedings against Liberty Federal Savings Bank, Enid, Oklahoma (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe or unsound banking practices and violations of law and regulation, including those relating to: (i) strategic and capital planning; (ii) Board and management supervision; (iii) management of credit risk, liquidity risk, interest rate risk, and problem assets; (iv) business continuity planning; and (v) trust operations and controls.

**WHEREAS**, the Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated November 15, 2013 (“Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order (“Stipulation and Consent”);

**NOW THEREFORE**, in consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a federal savings association examined by the Comptroller pursuant to the Homeowners’ Loan Act of 1933, as amended 12 U.S.C. § 1461 *et. seq.*

(2) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. §§ 1813(c) and 1818(b)(1).

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

(4) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

## ARTICLE II

### AGREEMENT

(1) The Bank hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees 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.

(3) 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 his supervisory powers, including 12 U.S.C. § 1818, 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.

(4) The Bank declares that no separate promise or inducement of any kind has been made by the Comptroller, or by his agents or employees, to cause or induce the Bank to consent to the issuance of the Consent Order and/or execute the Consent Order.

(5) 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.

(6) The terms and provisions of the Stipulation and the Consent Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Stipulation or the Consent Order, express or implied, shall give to any person or entity, other than the parties hereto, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Stipulation or the Consent Order.

### ARTICLE III

#### WAIVERS

- (1) The Bank, by signing this Stipulation, 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 a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(b) and (h), 12 C.F.R. Part 109;
  - (d) all rights to seek any type of administrative or judicial review of the Order;
  - (e) any and all rights to challenge or contest the validity of the Order; and
  - (f) any and all claims for fees, costs, or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement

matter or this Order, whether arising under common law or the terms of any statute, including, but not limited to the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

ARTICLE IV

CLOSING PROVISIONS

(1) The provisions of this Stipulation and Order 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.

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

/signed/  
James R. Moore  
Director for Special Supervision

11/15/13  
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.

<u>/signed/</u> Robert E. Anderson	<u>11/15/13</u> Date
<u>/signed/</u> Gordon C. Smith, Jr.	<u>11/15/13</u> Date
<u>/signed/</u> Gary A. Atwood	<u>11/15/13</u> Date
<u>/signed/</u> Leonard C. Northcutt	<u>11/15/13</u> Date
<u>/signed/</u> Douglas R. Parker	<u>11/15/13</u> Date
<u>/signed/</u> R. Lawrence Roye	<u>11/15/13</u> Date