

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In the Matter of:

SECURITY SAVINGS AND LOAN
ASSOCIATION OF GARDEN CITY
Garden City, Kansas

Resolution No.: DAL-91-26
Dated: May 16, 1991

STIPULATION AND CONSENT TO ISSUANCE OF
ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Director for the Midwest Regional Office, OTS, and Security Savings and Loan Association of Garden City, Garden City, Kansas, its subsidiaries, service corporations and affiliates ("Security Savings" or the "Institution"), hereby stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that the grounds exist to initiate an administrative cease and desist proceeding against Security Savings pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub.L. No. 101-73, 103 Stat. 183 ("FIRREA") 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1990). Security Savings desires to cooperate with the OTS to avoid the time and expense of such administrative litigation, and without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of

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the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Security Savings with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Security Savings is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owner's Loan Act of 1933, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA, 12 U.S.C.S. §1813(c) (Law. Co-op. Supp. 1990).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Security Savings is subject to the authority of the OTS to initiate and maintain a cease-and-desist proceeding against it pursuant to Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1990).

3. Consent. Security Savings consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1990). Upon its issuance by the Regional Director for the

Midwest Regional Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA, 12 U.S.C.S. 1818(i) (Law. Co-op. Supp. 1990).

5. Waivers. Security Savings waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1990), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA, 12 U.S.C.S. §1818(h) (Law. Co-op. Supp. 1990), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Director for the Midwest Regional Office, OTS, and Security Savings, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

SECURITY SAVINGS AND LOAN
ASSOCIATION OF GARDEN CITY
by a majority of its directors

By: /S/
Billy C. Wood
Regional Director
Midwest Regional Office

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In the Matter of)

SECURITY SAVINGS AND LOAN)
ASSOCIATION OF GARDEN CITY)
Garden City, Kansas)

Resolution No. DAL-91-26
Date: May 16, 1991

ORDER TO CEASE AND DESIST

WHEREAS, Security Savings and Loan Association of Garden City, Garden City, Kansas ("Security Savings" or the "Institution"), through its directors, has executed a Stipulation and Consent to Issuance of Order to Cease and Desist ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Midwest Regional Office; and is incorporated herein by reference; and

WHEREAS, Security Savings, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to §8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by FIRREA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1990);

NOW, THEREFORE, IT IS ORDERED that Security Savings and its directors, officers, employees, agents, subsidiaries and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of:

- a. Section 563.37(c) of the Rules and Regulations of the Office of Thrift Supervision ("OTS Regulations"), 12 C.F.R. Section 563.37(c) (1990);
- b. Section 563.43(c)(5) of the OTS Regulations, 12 C.F.R. Section 563.43(c)(5) (1990);
- c. Section 563.170(c) of the OTS Regulations, 12 C.F.R. Section 563.170(c) (1990);
- d. Section 563.172(a) of the OTS Regulations, 12 C.F.R. Section 563.172(a) (1990);
- e. Section 571.7 of the OTS Regulations, 12 C.F.R. Section 571.7 (1990);
- f. Section 571.21 of the OTS Regulations, 12 C.F.R. Section 571.21 (1990);
- g. Section 23A(c)(1)(D) of the Federal Reserve Act, 12 U.S.C.S. § 371c(c)(1)(D) (Law. Co-op Supp. 1990);
and
- h. Section 23B(a)(1)(A) of the Federal Reserve Act, 12 U.S.C.S. § 371c-1(a)(1)(A) (Law. Co-op. Supp. 1990).

IT IS HEREBY FURTHER ORDERED that:

I. DEFINITIONS

1. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided for by the provisions of this Order, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, FDIA, or the Home Owners' Loan Act ("HOLA"), or as such definition is amended after the execution of this Order, and any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, FDIA, or HOLA, shall have meanings that accord with their best custom and usage in the savings and loan industry. However, for the purposes of this Order, except as otherwise indicated, the following definitions shall apply:

- a. a "set" is a group of loans, participations, investments, securities, or other assets related, by being sold or pledged to, purchased from, or exchanged with any persons, entities, or institutions acting together in a single transaction;
- b. "invest in" means to make, originate, purchase, acquire, guarantee, refinance, modify, extend, renew, or to commit to do any of these;

- c. "transfer" means to sell, assign, pledge, exchange, or to commit to do any of these;
- d. "real estate investment" means the net book value of real estate purchased, acquired by foreclosure or deed in lieu thereof, or owned in any manner, inclusive of any expenditures incurred in connection with holding or improving such real estate and following adjustment for any loss reserves or allowances;
- e. The term "affiliated person," as used in this Order shall have meaning as defined in 12 C.F.R. Section 561.5.

II. OPERATING RESTRICTIONS

- 2. Without the prior written approval of the Deputy Regional Director for the Midwest Region or his designee ("Deputy Regional Director") the Institution shall not, and shall not allow any wholly-owned or partly-owned subsidiary of the Institution to:
 - a. invest in any loans or participations therein collateralized by real property located outside of the following counties: Wyandotte, Douglas, Leavenworth, Johnson, Franklin, Miami, Finney, Scott, Lane, Hodgman, Gray, Haskell, Grant, and Carney counties in Kansas; and Jackson, Clay, and Platte counties in Missouri;
 - b. invest in any direct real estate investment or other investment which is not permissible for national banks; and

- c. enter into any options for the purchase of real property or exercise existing options for the purchase of real property.

3. Notwithstanding any other provision contained within this Order, Security Savings shall not, directly or indirectly, make or commit to make, any loan, cash advance, extension of credit or any other investment in Security Service, Inc., without the prior written approval of the Deputy Regional Director.

III. ASSET GROWTH

4. Without the prior written approval of the Deputy Regional Director for the Midwest Region, or his designee, the Institution shall not increase its assets during any calendar quarter in excess of the amount of interest credited on savings accounts during the quarter (or, in the case of share accounts, earnings credited) and the amount necessary to fund during the quarter any loans in process obligations or legally binding commitments existing as of the effective date of this Order.

IV. AFFILIATED TRANSACTIONS AND CONFLICTS OF INTEREST

5. Within ten (10) days from the date of issuance of this Order, the Institution shall become a party to an agreement with Donald H. Bell and Faith N. Bell which shall require them to indemnify and reimburse Security Savings and Security Service, Inc., from any loss or risk of loss, and any expense incurred (i.e., legal fees, title fees, transfer fees, closing costs, etc.), that results from the transfer of the Leawood Mission Valley real property from Security Service, Inc., to Bell

Development, Inc. The terms and conditions of this indemnification/reimbursement shall be set forth in a written agreement between the parties and further, shall be in a form acceptable to the Deputy Regional Director.

6. Notwithstanding any other provision contained within this Order, without prior written approval of the Deputy Regional Director, the Institution shall not, and shall not allow any wholly-owned or partly-owned subsidiary of the Institution to invest in or transfer any loan to, or transfer or invest in any real or personal property to or from, the following persons, business entities, their affiliates, controlling persons, or immediate family members, holding company affiliates, or affiliated persons:

- a. Donald H. Bell;
- b. Faith N. Bell;
- c. Brittany Savings Corporation;
- d. Bell Development Company;
- e. Bell Enterprises, Inc.;
- f. Bell Development, Inc.;
- g. Brittany Properties, Inc.;
- h. LMV Associates L.P.;
- i. First Security Mortgage Corporation;
- j. Accent Door Company, Inc.; or
- k. Brittany Development, Inc.

7. The Institution shall adhere to the policy statement guidelines set forth in 12 C.F.R. §§ 571.7 and 571.9 (1990) concerning conflicts of interest and usurpation of corporate opportunity and is to fully comply with the institution's conflict of interest policy. Any changes or modifications to the institution's conflict of interest policy shall require the prior approval of the Deputy Regional Director. To the extent deviations from the plan are authorized by the Institution's board of directors (or otherwise), the Deputy Regional Director shall be notified of the reasons therefor and provided with a list of the directors' votes authorizing and opposing such deviations.

V. OPERATING PLAN

8. Within sixty (60) days after the effective date of this Order, the Institution shall submit an annual operating plan ("Operating Plan") which details projected business strategies, budget assumptions, and operations for the Institution and its subsidiaries through December 31, 1991. The Operating Plan shall be updated and revised as of December 31, 1991 and prepared annually thereafter and should include pro forma financial statements (with relevant assumptions) for the fiscal year, or part thereof, covered by the plan and should be consistent with providing sound and economical home financing and shall incorporate, as appropriate, the provisions of this Order. In addition, the Operating Plan shall incorporate the following plans, policies, and procedures or guidelines:

- a. the interest-rate-risk-management policy required by 12 C.F.R. Section 563.176 (1990); and
- b. all investment and operating restrictions and any other applicable restrictions set forth in this Order.

The Operating Plan, before implementation, shall be subject to the review and approval of the Deputy Regional Director, and any material deviations from the Operating Plan once approved shall require the prior written approval of the Deputy Regional Director. The board of directors of the Institution shall review and approve said Operating Plan and shall monitor this Operating Plan on a continuing basis. Upon approval of the Operating Plan, the Institution will prepare, on a quarterly basis, written reports containing a comparison of the Institution's year-to-date operating results against the projected results in the Operating Plan as of the end of each calendar quarter. If the actual operating results fail to meet the projected results of the Operating Plan in any material respect, the report shall include an explanation of such deviation and a specific description of the measures that have been implemented or proposed to correct and/or abate any adverse deviations. The board of directors of the Institution shall review this report each quarter and the minutes of its meetings shall disclose the extent of the board of directors' involvement in the monitoring process. A copy of the

minutes and a copy of the written report shall be filed with the Deputy Regional Director within thirty (30) days following the end of each quarter.

9. Without the prior written approval of the Deputy Regional Director, the Institution's aggregate investment in loans originated as single-family speculative construction loans (i.e., loans to persons engaged in the business of residential real estate construction without the benefit of a purchase contract from a prospective homeowner at the time of origination) shall not at any time exceed One Million Two Hundred Fifty Thousand Dollars (\$1,250,000). The investment limitation set forth in this paragraph shall be incorporated into the Institution's Operating Plan discussed in paragraph 8 of this Order.

10. Within thirty (30) days after the effective date of this Order, the Institution shall implement written policies and procedures to ensure that the Board of Directors receives current, thorough and complete information from management prior to the deliberations of the Board of Directors at which substantive business of the Institution is discussed or voted upon; additionally, the Institution shall provide the Board of Directors with the appropriate board reports no later than five (5) days prior to the monthly meeting.

11. The Institution will endeavor to comply with the requirements of 12 C.F.R. Section 563.33 (1990). The Institution

shall continue to submit on a quarterly basis a report detailing the efforts made to obtain potential candidates to serve as directors.

VI. UNDERWRITING STANDARDS

12. Security Savings, at a minimum, shall require that prior to making or purchasing (or committing to make or purchase) any loan (other than 1-4 family dwelling loans originated by Security Savings or purchased from FHLMC, FNMA, or GNMA supervised lenders and consumer loans acquired through secondary markets), other extension of credit, or loan investment, the Institution must have obtained, as appropriate, each of the following:

- a. Any applicable item required pursuant to 12 C.F.R. Section 563.170(c) (1990);
- b. in the case of a loan secured by property other than real estate, an appropriate statement of value of the security property prepared by a qualified person, a verification of the lien status of the security property current through the date of the loan or commitment decision and, where appropriate, documents verifying the existence of the proposed security property and that it is owned by and/or title is held by the proposed borrower;
- c. written evidence, duly verified, that the borrower has invested cash or another form of equity, as appropriate, in the security property;

- d. in the case of construction loans or multiple disbursement loans for improvements that exceed \$250,000 in the aggregate to any one borrower, written cost estimates and breakdowns prepared by a qualified engineer, architect, or other person qualified to prepare such an estimate;
- e. written market feasibility studies prepared by a qualified professional for all acquisition, development, and construction loans that exceed \$250,000 in the aggregate to any one borrower; and
- f. written documentation evidencing hazard insurance, in full force and effect, to protect the Institution from loss, as outlined in 12 C.F.R. Section 571.4 (1990).

13. The Institution shall comply in all respects with Sections 563.37 and 571.21 of the OTS Regulations, 12 C.F.R. §§ 563.37 and 571.21 (1990) to ensure the judicial recognition of the separate corporate existence of any service corporation. Furthermore, the Institution must develop an organizational structure that shall clearly define and delineate job accountabilities, functional responsibilities, communication channels, reporting lines of authority, and approval levels at each service corporation. No later than thirty (30) days after the issuance of this Order, and on a quarterly basis thereafter,

the Institution shall submit a report to the Deputy Regional Director detailing its efforts to effectuate compliance with this requirement.

14. The Institution shall comply fully with the requirements of 12 C.F.R. Section 563.172 (1990), as it pertains to the Institution's obligation to obtain an appraisal on each parcel of real estate owned at the time of the Institution's acquisition of such property and at such times thereafter as dictated by prudent management policy.

15. The Institution shall not reimburse, indemnify, compensate or otherwise make whole any individual for any adverse financial or other consequence stemming from any transaction which are the subject matter of this Order.

16. The Board of Directors shall require that the President of Security Savings prepares a monthly compliance report for review by the directorate at each regularly scheduled board meeting. This report shall detail the Institution's compliance with the terms of this Order. The President shall present this report in its entirety to the directorate at each regularly scheduled meeting. The board shall also require that the President's report is entered into the minutes of each meeting. Each official minute book copy of the minutes of the Board's meetings shall be signed and dated by each director.

17. No later than the final day of each calendar month, the board of directors of the Institution shall adopt a resolution, similar to the attached resolution, signed by each director in

attendance at the applicable meeting, certifying that the institution has complied with all conditions of this Order. The institution shall retain these resolutions at its home office.

18. The terms and provisions of this Order shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.

19. This Order shall remain in effect until terminated by the OTS.

OFFICE OF THRIFT SUPERVISION

/S/

Billy C. Wood,
Regional Director
Midwest Regional Office