

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

In the Matter of:)
)
The Genoa National Bank)
Genoa, Nebraska)

CONSENT ORDER

The Comptroller of the Currency of the United States of America ("Comptroller"), through his National Bank Examiners, has examined The Genoa National Bank, Genoa, Nebraska ("Bank"), and his findings are contained in the Report of Examination ("ROE"), dated October 29, 2001.

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," dated December 20, 2001, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Bank has consented to the issuance of this Consent Order ("Order") by the Comptroller.

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
Definitions

(1) For purposes of this Order, unless otherwise specifically defined to the contrary, the following definitions shall apply:

(a) "Company" shall have the same meaning as found at 12 C.F.R. § 215.2, except that it shall also include the term "bank" or "depository institution."

(b) "Control" shall mean:

(i) the power to directly or indirectly vote 25% or more of the voting stock of a company,

(ii) the ability to control, in any manner, the election of a majority of a company's directors, or

(iii) the ability to exercise a controlling influence over the management and policies of a company. Any general partner of a partnership is presumed to control the partnership. A person who owns at least 10% of the voting stock of a company and is an executive officer or director of that company is deemed to control that company by exercising a controlling influence over that company.

(c) "Insider" shall include any director, executive officer or principal shareholder (as those terms are defined at 12 C.F.R. § 215.2) of the Bank and any Related Interest of such person or entity. An "Insider" also shall include the spouse, children, parents or siblings of any director, officer or principal shareholder of the Bank and the Related Interests of such persons. An "Insider" shall further include any person who acts on behalf of any Insider

(d) "Person" shall mean an individual or company.

(e) "Related Interest" shall have the same meaning as found at 12 C.F.R. § 215.2, except that it shall also include the term "bank" or "depository institution."

(f) "Transaction" refers to all transactions and relationships between the Bank and any of its Insiders.

(i) It includes, but is not limited to:

- (A) sale or lease of property between the Bank any Insider;
 - (B) payment to any Insider or any Insider's receipt of fees for any service or product;
 - (C) paying for services rendered to or for the benefit of any Entity;
 - (D) extension of credit in any form to or for the benefit of any Entity;
 - (E) any expenses incurred by any Entity on behalf of the Bank;
 - (F) compensation, in any form, paid to or for the benefit of any Entity.
- (ii) A Transaction does not include:
- (A) a transaction arising solely from an Insider's status as a Bank depositor, borrower, employee or director
 - (B) dividends lawfully declared and paid; and,
 - (C) reasonable salaries and benefits to Insiders for work actually performed.

Article II
Strategic Plan

(1) Within 90 days, and annually thereafter, the Board shall review and amend as necessary the Bank's strategic plan. The strategic plan shall cover at least a three-year period, and shall establish objectives for the bank's earnings performance, growth, balance sheet mix including out-of-area lending, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments which the Bank intends to promote and develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) a mission statement which forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment;

- (c) an evaluation of the bank's internal operations, staffing requirements, board and management information systems and policies and procedures;
 - (d) the development of strategic goals and objectives to be accomplished over the short and long term, including future goals regarding out-of-area lending;
 - (e) a management employment and succession program to promote the retention and continuity of capable management and/or the recruitment of additional management;
 - (f) an action plan to improve bank earnings and accomplish identified strategic goals and objectives to include individual responsibilities, accountability and specific time frames;
 - (g) a liquidity contingency funding plan that limits reliance upon Brokered Deposits (as defined by 12 C.F.R. § 337.6(a)(1)) to \$4 million or less. The contingency funding plan should address expected liquidity needs and sources, including contingent sources, on at least a quarterly basis for a rolling one-year time frame. The funding plan shall establish aggregate and maturity-based concentration limits for noncore funding sources. The plan shall also provide for testing of any contingent funding sources on at least a semiannual basis. The plan shall provide for monthly liquidity reports which detail the Bank's current and projected liquidity position and contingent funding strategies. Copies of these liquidity reports and any updates to the contingency funding plan shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis; and,
 - (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan.
- (2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review.

Article III
Management and Board Supervision Study

(1) Within sixty (60) days the Board shall employ an independent outside management consultant. The consultant shall not be an Insider or other current independent contractor. Prior to employment of the consultant, the name and the qualifications of the consultant considered for employment shall be submitted to the Assistant Deputy Comptroller, who shall have the power of veto over the employment of the proposed consultant. However, failure to exercise such veto power shall not constitute approval or endorsement of the consultant.

(2) Within ninety (90) days of employment of an independent outside management consultant, the Consultant shall complete a study of current management and Board supervision presently being provided to the Bank, the Bank's management structure, and its staffing requirements in light of the Bank's present condition. The findings and recommendations of the Consultant shall be set forth in a written report to the Board. At a minimum, the report shall contain:

- (a) the causes of the Bank's lending-related problems;
- (b) the identification of present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the lending area;
- (c) detailed written job descriptions for all executive officers;
- (d) an evaluation of all other officers' qualifications and abilities and a determination of whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his/her officer position;
- (e) recommendations as to whether management or staffing changes should be made, including the need for additions to or deletions from the current management team;
- (f) objectives by which management's effectiveness will be measured;
- (g) a training program to address identified weaknesses in the skills and abilities of the

Bank's staff and management team;

- (h) an evaluation of current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities;
 - (i) a recommended organization chart that clearly reflects areas of responsibility and lines of authority for all officers, including the Bank's president and chief executive officer;
 - (j) an assessment of the Board's strengths and weaknesses along with a director education program designed to strengthen identified weaknesses;
 - (k) an assessment of whether Board members are receiving adequate information on the operation of the Bank to enable them to fulfill their fiduciary responsibilities and other responsibilities under law;
 - (l) recommendations to expand the scope, frequency and sufficiency of information provided to the Board by management;
 - (m) an evaluation of the extent of responsibility of current management and/or the Board for present weaknesses in the Bank's condition; and,
 - (n) recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Bank.
- (3) Within thirty (30) days of completion of this study, the Board shall develop, implement, and thereafter ensure Bank adherence to a written plan, with specific time frames, that will correct any deficiencies which are noted in the study.
- (4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

(5) Copies of the Board's written plan and the Consultant's study shall be forwarded to the Assistant Deputy Comptroller. The Assistant Deputy Comptroller shall retain the right to determine the adequacy of the report and its compliance with the terms of this Order. In the event the written plan, or any portion thereof, is not implemented, the Board shall immediately advise the Assistant Deputy Comptroller, in writing, of specific reasons for deviating from the plan.

Article IV
Board to Ensure Competent Management

(1) Within thirty (30) days after receipt of the Consultant's Management and Board Supervision Study, the Board shall ensure that the Bank has competent management in place on a full-time basis in its President position to carry out the Board's policies, ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within thirty (30) days after receipt of the Consultant's Management and Board Supervision Study, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes should be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph One of this Article, the Board shall, within thirty (30) days after receipt of the Consultant's Management and Board Supervision Study, assess each of these officers' experience, other qualifications and performance compared to the position's description, duties and responsibilities (including adherence to previous restrictions thereon).

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will, within sixty (60) days after receipt of the Consultant's Management and Board Supervision Study, develop and implement a written program,

with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer;
- (c) objectives by which the officer's effectiveness will be measured; and,
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

(5) Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(6) If a position mentioned in Paragraph One of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph One of this Article becomes vacant, the Board shall, within ninety (90) days of such vacancy, appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(7) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the *Comptroller's Corporate Manual*, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and,

(c) a written description of the proposed officer's duties and responsibilities.

(8) The Assistant Deputy Comptroller shall have the power of veto over the employment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(9) The Board and the Bank's officers shall ensure immediate and ongoing compliance with all of the commitments concerning management and scope of employment of Bank employees that are embodied in the February 13, 2001 memorandum from the Bank's then-existing Oversight Committee, as unanimously adopted by the Board at its February 24, 2001 meeting.

(10) This Article is based on the authority of 12 U.S.C. § 1818(b)(6)(E). The requirement to submit information and the prior veto provisions do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

Article V
Compliance Committee

(1) Within ten (10) days, the Board shall appoint a Compliance Committee and submit the names thereof to the Assistant Deputy Comptroller, who shall have the power of veto. However, failure to exercise such veto power shall not constitute approval or endorsement of such member of the Compliance Committee.

(2) The Compliance Committee shall facilitate the Bank's compliance with this Order and shall meet at least monthly. On at least a quarterly basis, the Compliance Committee shall submit a written report to the Board, with a copy to the Assistant Deputy Comptroller, detailing the actions being taken to comply with the provisions of this Order.

(3) If any member is unable to serve on the Compliance Committee, the Board shall submit the name of a replacement to the Assistant Deputy Comptroller, who shall have the power of veto over any proposed substitution on the Compliance Committee. However, failure to exercise such veto

power shall not constitute approval or endorsement of such replacement member of the Compliance Committee.

Article VI
Compliance Systems

(1) The Bank shall immediately take all steps necessary to correct each violation of law, rule or regulation cited in the ROE and any future ROE. As each violation is corrected, the Board shall notify the Assistant Deputy Comptroller of the date and manner in which each correction has been effected.

(2) Within thirty (30) days, the Board shall adopt and implement specific procedures to prevent future violations as cited in the ROE; and within one hundred twenty (120) days shall adopt and implement general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility. Upon adoption, a copy of these procedures shall be forwarded to the Assistant Deputy Comptroller.

(3) Within thirty (30) days after receipt of any future ROE which cites violations of law or regulation, the Board shall adopt and implement procedures to prevent further violations of such laws and regulations. Upon completion, a copy of these procedures shall be forwarded to the Assistant Deputy Comptroller.

Article VII
Affiliate Transactions

(1) Except as permitted by this Order, the Bank shall not, directly or indirectly, engage in any transaction with an Insider or an affiliate (as defined in 12 U.S.C. §§ 221a and/or 371c) (hereinafter collectively referred to as an "Entity") of the Bank.

(2) Transactions with any Entity may be engaged in only if:

- (a) the Board conducts an independent review of each proposed transaction prior to disbursement of any Bank funds;
 - (b) the Board's review indicates:
 - (i) it is demonstrably advantageous to the Bank for it to enter into the proposed transaction; and,
 - (ii) the transaction complies with prudent practice, the Comptroller's *Insider Activities Handbook* and all applicable laws, rules and regulations, including, but not limited to, 12 U.S.C. §§ 371c, 371c-1, 375a and 375b, and 12 C.F.R. Part 215.
 - (c) each transaction with an Entity is supported by substantial, written documentation reflecting the purpose of the transaction, the parties involved, the amount of any payment or extension of credit involved, the benefit of the transaction to the Bank, and how the Board determines the transaction complies with this Article.
 - (d) any amounts paid to, or for the benefit of, an Entity are comparable to what the Bank would pay to a non-affiliated entity for performance of a similar service;
 - (e) each transaction is approved by the majority of the disinterested members of the Board (not merely a quorum thereof) in advance of any payment by the Bank, with any interested Insider both abstaining from voting and participating, either directly or indirectly, in the deliberations regarding the approval; and,
 - (f) the Board completes a written summary report of each transaction and includes the report in an official Board minute book.
- (3) Each quarter, the Bank shall submit a written report to the Assistant Deputy Comptroller that details all transactions with any Entity that either have been proposed to or entered into by the Bank during the month. The report shall include:

- (a) a description of each such Entity transaction;
- (b) dollar amount of each transaction;
- (c) the identity of the party proposing the transaction;
- (d) the identity of each Entity involved;
- (e) the identity of the Bank officer responsible for analyzing the proposed transaction;
- (f) a written certification by each Insider having any interest in the proposed transaction.

The certification shall fully and fairly disclose the Insider's ownership or other interest in the Entity and the terms of any agreements concerning the transaction, property or service which is the subject of the transfer which have not been disclosed to the Bank as part of the proposal; and,

- (g) the Board's final decision, with the vote of each director separately recorded, and the bases for any dissenting or abstaining votes.

Article VIII **Conflict of Interest Policy**

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank's and its Insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
- (b) involvement in the loan approval process of Insiders who may benefit, directly or indirectly, from the decision to grant credit;
- (c) disclosure of actual and potential conflicts of interest to the Board;
- (d) requirements for arms-length dealing in any transactions by Insiders involving the Bank's sale, purchase, or rental of property or services;

- (e) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank; and,
 - (f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.
- (2) Upon adoption, a copy of this conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller for review.
- (3) Within 60 (sixty) days, the Compliance Committee shall conduct a review of the Bank's existing relationships with its directors, executive officers, affiliates, principal shareholders, employees and their Related Interests for the purpose of identifying relationships not in conformity with the foregoing policy. The Board shall ensure that:
- (a) all nonconforming relationships are brought into conformity with the policy within sixty (60) days. The rights and duties arising from all such relationships shall be reduced to writing, if not so already;
 - (b) within sixty (60) days the Bank is properly reimbursed for:
 - (i) any excess or improper payments to Insiders;
 - (ii) any excess or improper payments for services provided by Insiders;. and,
 - (iii) any payments for use of Bank property or services which Insiders have omitted to make or for which the Bank has not been diligent in its collection efforts.
 - (c) Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any Insiders. Documentation supporting these reviews shall be in writing and preserved in the Bank.
- (4) In furtherance of the Bank's implementation of its obligations under the terms of this Article, each executive officer, director and principal shareholder to provide at least annually and in writing,

a listing of the preceding parties' respective Related Interests. The Board shall maintain the list of these persons' Related Interests and any changes to these listings of Related Interests shall be promptly reported to the Board and the Assistant Deputy Comptroller and reflected in the centralized records.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

Article IX
Other Real Estate Owned

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a policy to ensure that Other Real Estate Owned ("OREO") is managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34. The policy shall address:

- (a) responsibility and authority for management of OREO properties and any income or product derived therefrom;
- (b) proper accounting procedures for OREO properties beginning with transfer to the Bank and continuing until final sale to a third party;
- (c) procedures to require timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C;
- (d) diligent sales efforts; and,
- (e) reporting systems.

(2) In considering whether to sell or transfer an OREO property to a third party, the Board shall require each Insider to make written certification to disclose the existence of any negotiations or agreements between the Insider and the proposed transferee concerning the Insider's subsequent usage or purchase of the OREO property. Such certifications shall be maintained in the Bank's

records for a period not less than five years following any such sale or transfer of a given OREO property.

(3) Upon adoption, the Bank shall forward copies of the policy to the Assistant Deputy Comptroller for review.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

Article X
Other Real Estate Owned - Action Plans

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to action plans for each parcel of (OREO to ensure that these assets are managed in accordance with 12 U.S.C. § 29, 12 C.F.R. Part 34, Subpart E and prudent banking practice. At a minimum, the plans shall:

- (a) identify the specific Bank officer(s) responsible for managing and authorizing transactions relating to the OREO properties;
- (b) set forth the limits of such officers' authority when dealing with each OREO property, including appropriate controls to ensure income or products are returned to the Bank in a timely fashion;
- (c) contain an analysis of each OREO property which compares the cost to carry against the financial benefits of near term sale;
- (d) detail the marketing strategies for each parcel;
- (e) identify targeted time frames for disposing each parcel of OREO;
- (f) establish targeted write-downs at periodic intervals if marketing strategies are unsuccessful;

- (g) establish procedures to require periodic market valuations of each property, and the methodology to be used; and,
 - (h) provide for reports to the Board on the status of OREO properties on at least a monthly basis.
- (2) Upon adoption, and quarterly thereafter, the Bank shall forward a copy of the plans to the Assistant Deputy Comptroller.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plans developed pursuant to this Article.

Article XI
Lending Policy

(1) Within sixty (60) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the Loan Portfolio Management booklet, A-LPM, of the *Comptroller's Handbook*. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) a description of acceptable types of loans;
- (b) a provision that current and satisfactory credit information will be obtained on each borrower;
- (c) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (d) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (e) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

(f) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;

(g) definition of the Bank's trade area;

(h) guidelines and limitations for loans originating outside of the Bank's trade area.

These guidelines should include risk tolerance limits (as a percentage of capital and total loans) on out-of-area lending in aggregate, by geography and by type of loan. The Guidelines should also detail credit underwriting and monitoring standards specific to out-of-area loans.;

(i) limitation on aggregate outstanding loans in relation to other balance sheet accounts;

(j) distribution of loans by category;

(k) a prohibition regarding the use of brokered deposits to fund loan growth or support criticized loans;

(l) guidelines for loans to Insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;

(m) guidelines and limitations on concentrations of credit;

(n) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;

(o) measures to correct the deficiencies in the Bank's lending procedures noted in any ROE;

(p) guidelines designed to improve Board oversight of the loan approval process, specifically with regard to credits exhibiting significant risk. At a minimum, the policy shall:

(i) establish dollar limits on extensions of credit to any one borrower, above which the prior approval of the Board, or a committee thereof, would be required;

(ii) establish dollar limits on aggregate extensions of credit to any one borrower, above which any new extensions of credit to that borrower, regardless of amount, would require the prior approval of the Board, or a committee thereof; and,

(iii) require that all credits which deviate from the Bank's normal course of business, including all credits which deviate from the Bank's written strategic plan, receive the prior approval of the Board, or a committee thereof.

(q) guidelines consistent with Banking Circular 255, setting forth the criteria under which renewals of extensions of credit may be approved. At a minimum the policy shall:

(i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and,

(ii) provide guidelines and limitations on the capitalization of interest;

(r) guidelines to ensure accurate nonaccrual loan accounting, consistent with the instructions for the Consolidated Reports or Condition and Income ("Call Reports").

(s) charge-off guidelines, by type of loan or other asset, including OREO, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the quarter of discovery; and,

(t) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

Article XII
Loan Portfolio Management

(1) The Board shall, within sixty (60) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure satisfactory and perfected collateral documentation;
- (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. For all extensions of credit of \$5,000 or more, the analyses should be documented in writing, and record the names of each officer who was involved in analysis of the credit; current or ongoing negotiations with the customer; and/or establishment of credit terms;
- (c) procedures to ensure conformance with loan approval requirements;
- (d) a system to track and analyze exceptions;
- (e) procedures to ensure conformance with Call Report instructions;
- (f) procedures to ensure the accuracy of internal management information systems;
- (g) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and,
- (h) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and accurate risk rating of loans and leases based on lending officer submissions;
- (b) statistical records that will serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, division, group, indirect dealer, and individual lending officer;
- (c) previously charged-off assets and their recovery potential;
- (d) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (e) adequacy of credit and collateral documentation; and,
- (f) out-of-area loans and other concentrations of credit.

(4) The bank shall take continuing action to protect its interest in those assets criticized in any ROE or by internal or external loan review.

- (a) Within thirty (30) days, the Board will adopt and implement a written program to eliminate the basis of criticism for all assets equal to or exceeding \$25,000, that are criticized in any ROE or by internal or external loan review as Special Mention, Substandard or Doubtful. This program shall include: identification of expected sources of repayment; appraised value of supporting collateral and the bank's lien position; analysis of current and satisfactory credit information including cash flow analysis where loans are to be repaid from operations; and the proposed action to eliminate the basis of

criticism and the time frame for its accomplishment.

(b) The Compliance Committee shall conduct a review on at least a monthly basis to determine: the status of each criticized asset where the criticized portion is equal to or exceeds \$25,000; management's adherence to the written program; the status and effectiveness of the written program; and the need to revise the program.

(c) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(d) The Bank will not extend credit, directly or indirectly, including renewals, extensions, capitalization of interest or other modification of terms to a borrower whose loans or other extensions of credit are criticized in a ROE or by internal or external loan review and whose aggregate loans are equal to or exceed \$25,000 unless: the Board or designated committee finds that the extension is necessary to promote the best interests of the bank; the extension is in keeping with the written program; and a majority of the Board or designated committee approves the extension and documents in writing why it is in the bank's best interest.

(5) The Board shall ensure ongoing maintenance of an adequate Allowance for Loan and Lease Losses; and at least a quarterly assessment of Allowance adequacy that addresses relevant criteria discussed in the Allowance for Loan and Lease Losses section of the *Comptrollers Handbook*.

(6) Beginning with the January 2002 Board meeting, and on a quarterly basis thereafter, management will provide the Board with written reports including, at a minimum, the following information:

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

- (c) credit and collateral documentation exceptions;
 - (d) the identification and status of credit related violations of law, rule or regulation;
 - (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
 - (f) an analysis of out-of-area lending and other concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
 - (g) the identification and amount of loans and leases Insiders; and,
 - (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.
- (7) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

Article XIII
Loan Review

- (1) By April 30, 2002 and at least annually thereafter, the Board shall obtain an independent loan review by an external consultant. Prior to employment of the consultant, the name and the qualifications of the consultant considered for employment shall be submitted to the Assistant Deputy Comptroller, who shall have the power of veto over the employment of the proposed consultant. However, failure to exercise such veto power shall not constitute approval or endorsement of the consultant. The consultant's loan review report shall at a minimum address:
- (a) the overall quality of the loan portfolio;
 - (b) the identification, type and amount of problem loans;
 - (c) the identification of the degree of risk in each problem loan;

- (d) the identification and amount of delinquent loans;
- (e) credit and collateral documentation exceptions;
- (f) the identification and status of violations of law, rule or regulation;
- (g) loans not in conformance with the Bank's lending policy;
- (h) insider loan transactions.
- (i) The consultant's report shall also identify the degree of credit risk in out-of -area loans in aggregate and individually, and provide conclusions on the effectiveness of underwriting, monitoring systems and credit analyses for out-of-area loans.
- (j) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (i) of this Article.

Article XIV
Books and Records

(1) The Board shall immediately take all necessary actions to ensure that, within ninety (90) days, the Bank's books, records and management information systems (MIS) are restored to a complete and accurate condition.

(2) Within sixty (60) days, the Board shall submit to the Assistant Deputy Comptroller an action plan detailing how the Board will restore the Bank's books, records and MIS to a complete and accurate condition, setting forth a timetable for implementing the plan. In the event the Assistant Deputy Comptroller recommends changes to the action plan, the Board shall immediately incorporate those changes into the plan.

(3) The Board shall ensure that, once restored to complete and accurate condition, the Bank's books, records and MIS are maintained in a complete and accurate condition.

(4) The Board shall engage an independent, external auditor to perform an audit according to generally accepted auditing standards of sufficient scope to enable the auditor to render an opinion

on the financial statements of the bank, taken as a whole. The Board shall obtain an annual opinion audit, starting in 2002 and shall continue to do so for the duration of this Order. The auditor selected to perform such audit shall not:

- (a) simultaneously perform any accounting, audit, consulting or tax engagement for any Insider;
- (b) have done so within the five years prior to the effective date of this Order;
- (c) simultaneously be engaged in any business venture with any Insider; or,
- (d) have been so engaged within the five years prior to the effective date of this Order.

Prior to engagement of the auditor, the name and qualifications of the auditor shall be submitted to the Assistant Deputy Comptroller, who shall have power of veto over the engagement of the proposed auditor. However, failure to exercise such veto power shall not constitute approval or endorsement of the auditor.

Article XV
Progress Reporting - Quarterly

- (1) The Board shall submit quarterly progress reports to the

Assistant Deputy Comptroller
Grand Island Field Office
1811 West 2nd Street, Suite 360
Grand Island, Nebraska 68803-5467

- (2) These reports shall set forth in detail:

- (a) actions taken since the last previous progress report to comply with each Article of the Order;
- (b) results of those actions; and,
- (c) a description of the actions needed to achieve full compliance with each Article of this Order.

(3) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the ROE or in any future Report of Examination.

(4) The first progress report shall be submitted for the period ending January 31, 2002 and will be due within ten (10) days of that date. Thereafter, progress reports will be due within ten (10) days after the end of each subsequent three-month periods running from January 31, 2002.

(5) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

Article XVI **Closing**

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or approval of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her 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) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his/her 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.

(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 on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC 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 OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities. The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IT IS SO ORDERED, this 20th day of December, 2001.

/s/ William S. Glover

12-20-2001

William S. Glover
Assistant Deputy Comptroller
Omaha South Field Office

Date

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

In the Matter of:)
)
The Genoa National Bank)
Genoa, 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 The Genoa National Bank, Genoa, 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 20, 2001 ("Order");

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 national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

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

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

Article II
Agreement

(4) 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 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(i).

Article IV
Waivers

- (5) 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; and,
 - (d) any and all rights to challenge or contest the validity of the Order.

Article V
Other Action

(6) 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/she deems it appropriate to do so to fulfill the responsibilities placed upon him/her 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.

/s/ William S. Glover

12-20-2001

William S. Glover
Assistant Deputy Comptroller
Omaha South 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/ Timothy E. Burke

12/20/01

Date

/s/ James A. Tonniges

12/20/01

Date

/s/ Richard L. Berg

12/20/01

Date

/s/ Daniel W. Allen

12/20/01

Date

/s/ Donald L. Swanson

12-20-01

Date

/s/ James L. Raitt

12-20-01

Date

/s/ Donald J. Pearson

12-20-01

Date

Date

Date

Date

