

to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against Home Federal with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) Home Federal Savings and Loan Association of Grand Island is a "savings association" within the meaning of Section 3 of the FDIA, 12 U.S.C.S. § 1813 (Law. Co-op. Supp. 1991), and Section 2 of the Home Owner's Loan Act of 1933, 12 U.S.C.S. § 1462 (Law. Co-op. Supp. 1991). Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, 12 U.S.C.S. §1813(c) (Law. Co-op. Supp. 1991).

(b) Pursuant to Section 3 of the FDIA, the OTS is the "appropriate Federal banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, Home Federal 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, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991).

3. Consent. Home Federal 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, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991). 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, 12 U.S.C.S. § 1818(i) (Law. Co-op. Supp. 1991).

5. Waivers. Home Federal waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, 12 U.S.C.S. §1818(b) (Law. Co-op. Supp. 1991), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C.S. §1818(h) (Law. Co-op. Supp. 1991), or otherwise to challenge the validity of the Order.

6. Future Actions. The Institution agrees that the provisions of this Stipulation and Consent shall not inhibit, stop, bar, or otherwise prevent the OTS from taking any other action affecting the Institution, or any Institution-affiliated party if, at any time, the OTS acting through its Regional Director, deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by the several laws of the United States of America.

UNITED STATES OF AMERICA
BEFORE THE
OFFICE OF THRIFT SUPERVISION

In the Matter of:

HOME FEDERAL SAVINGS AND LOAN
ASSOCIATION OF GRAND ISLAND
Grand Island, Nebraska

Resolution No.: TOP-92-05
Dated: January 29, 1992

ORDER TO CEASE AND DESIST

WHEREAS, Home Federal Savings and Loan Association of Grand Island, Grand Island, Nebraska ("Home Federal" or the "Institution"), through its directors, has executed a Stipulation and Consent to the Entry of a Cease and Desist Order ("Stipulation") that is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Director for the Midwest Region ("Regional Director"); and is incorporated herein by reference; and

WHEREAS, Home Federal, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C.S. § 1818(b) (Law. Co-op. Supp. 1991).

NOW, THEREFORE, IT IS ORDERED that Home Federal shall cease and desist from, and the Institution 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 563.160(c) of the Rules and Regulations of the Office of Thrift Supervision ("OTS Regulations"), 12 C.F.R. § 563.160(c) (1991);
- B. Section 563.161 of the OTS Regulations, 12 C.F.R. § 563.161 (1991);
- C. Section 563.170 of the OTS Regulations, 12 C.F.R. § 563.170 (1991);
- D. Section 563.176 of the OTS Regulations, 12 C.F.R. § 563.176 (1991);
- E. Section 567.2 of the OTS Regulations, 12 C.F.R. § 567.2 (1991); and
- F. Section 571.7(b) of the OTS Regulations, 12 C.F.R. § 571.7(b) (1991).

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 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, 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. "affiliated person," as used in this Order, shall have the meaning as defined in 12 C.F.R. Section 561.5 (1991);

f. "affiliate" shall have the meaning as defined in Section 23A of the Federal Reserve Act, 12 U.S.C.S. §371c (Law. Co-op. Supp. 1991).

2. The statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Order, or as amended or renumbered thereafter.

II. Operating Restrictions

3. Except for existing legally binding commitments and investments that qualify as liquid assets under 12 C.F.R. Section 566.1 (1991), without prior written approval of the Regional Deputy Director for the Topeka Area Office, OTS, ("Regional Deputy Director") the Institution shall not, and shall not allow any wholly or partly-owned subsidiary to:

- a. engage in forward commitments, futures transactions, or financial options transactions as defined in 12 C.F.R. Sections 563.173, 563.174 and 563.175 (1991);
- b. invest in any loans or contracts secured by real estate or participations therein (including any acquisition, construction, and development loans) or any set of such loans or participations, except loans made at current market interest rates and terms which are:

- (i) to finance the bona fide purchase of, or custom construction of pre-sold, one-to-four-family residences secured by first liens on such properties that do not exceed in each case One Hundred Thousand Dollars (\$100,000); or
- (ii) to refinance loans on existing one-to-four-family residences secured by first liens on such properties where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- (iii) to be secured by second liens on existing one-to-four-family residences where the loan-to-value ratio of the first and second liens combined does not exceed 80% and the combined debt does not exceed One Hundred Thousand Dollars (\$100,000); or
- (iv) to finance residential real estate other than one-to-four-family residences where the loan-to-value ratio does not exceed 80% and such loan does not exceed One Hundred Thousand Dollars (\$100,000); or
- (v) to refinance residential real estate other than one-to-four-family residences where the loan-to-value ratio does not

exceed 80% and such loan does not exceed
One Hundred Thousand Dollars (\$100,000);
or

(vi) to finance nonresidential real estate
where the loan-to-value ratio does not
exceed 80% and such loan does not exceed
One Hundred Thousand Dollars (\$100,000);
or

(vii) to refinance nonresidential real estate
where the loan-to-value ratio does not
exceed 80% and such loan does not exceed
One Hundred Thousand Dollars (\$100,000).

Any loan which is allowed under this section (Section
II, paragraph 3, subparagraph b), shall not exceed the
lending limitations contained in Sections 5(c)(2) and
5(u) of the HOLA, 12 U.S.C.S. §§ 1464(c)(2) and (u)
(Law. Co-op. Supp. 1991).

c. invest in any real estate investment or set of such
investments unless such investment or set of
investments is made in compliance with 12 C.F.R.
Section 563.98 (1991). For purposes of this
subparagraph, "real estate investment" shall not
include real estate foreclosed on by the
Institution or investments in real estate that
otherwise result in such investments becoming "real

estate owned" by the Institution; provided such expenditures do not exceed Twenty Thousand Dollars (\$20,000);

- d. invest in or transfer any security or set of securities in excess of Twenty Thousand Dollars (\$20,000); except mortgage-backed securities issued by the Federal Home Loan Mortgage Corporation ("FHLMC"), Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA"), or United States Treasury Bonds;
- e. invest in or transfer commercial loans or letters of credit, whether secured or unsecured;
- f. invest in any consumer loan (other than a loan fully secured by a certificate of deposit), education, or home improvement loans if the principal amount of such loan exceeds Twenty Five Thousand Dollars (\$25,000);
- g. invest in or increase its investment in any service corporation or any subsidiary thereof or finance subsidiary. For the purpose of this subparagraph, "invest in" shall include, but is not limited to, the making of investments in securities issued by such entities, and the extensions of credit to, or the guaranteeing of the debt of, such entities;
- h. enter into any joint venture agreements;

- i. notwithstanding any other provision within this Agreement, invest in or transfer any mortgage derivative financial instrument, stripped interest certificate, collateralized mortgage obligation, Real Estate Mortgage Investment Conduit ("REMIC"), REMIC Regular Interest, REMIC Residual Interest, or any below investment grade security (i.e., high-yield or "junk" bonds);
- j. transfer any real estate investment (i.e., real estate owned) or set of such investments if the net book value is in excess of One Hundred Thousand Dollars (\$100,000), or, irrespective of the foregoing sum, if the loss to be recognized upon transfer exceeds the greater of either 15% of the real estates investment's net book value or Fifteen Thousand Dollars (\$15,000);
- k. make any increase in salary or compensation in excess of 5%, on an annualized basis, to any of its directors, officers, employees, agents, or other representatives, or agree to do so. Notwithstanding any other provision of this subparagraph, the Institution may increase the compensation of non-officer employees if the annualized compensation of such employee before any increase does not exceed Thirty Thousand Dollars (\$30,000) and the aggregate increase or increases for any employee do not exceed 10% during any

calendar year. The Institution may however, proceed with any individual merit increases in accordance with its standard personnel policy currently in effect and normal periodic employee salary and wage increases scheduled prior to the effective date of this Agreement and that comply with 12 C.F.R. Section 563.161 (1991);

1. employ or appoint any person to serve as an officer or director who is not so employed or appointed as of the date of this Agreement that otherwise does not comply with Section 32 of the FDIA, 12 U.S.C.S. § 1831i (Law. Co-op. Supp. 1991); employ any person who is not so employed as of the date of this Agreement at a rate of compensation which, on an aggregate of an annualized basis, exceeds Thirty Thousand Dollars (\$30,000) per year; employ any person pursuant to an agreement that is not terminable at the will of the employer and that otherwise does not comply with 12 C.F.R. Section 563.39 (1991); or enter into or amend or renew any collective bargaining agreements, pension or profit sharing, bonus, severance pay, retirement, fringe benefit, or other employee benefit plans (except for existing health insurance plans), or other employment contracts with any employee, director, or officer;

- m. enter into, renew or revise any contractual arrangement with any officer, director, controlling person, affiliate, subsidiary, affiliated person, attorney, consultant, or agent for or of the Institution or any of its subsidiaries. The Institution may submit a list of its current contractual agreements with attorneys, accountants, and other consultants for approval along with the fee schedule already approved by the Board of Directors;
- n. enter into any repurchase or reverse repurchase agreement obligation arising from a transfer of government securities, except as may otherwise be permitted by this Agreement;
- o. enter into any lease or contract for the purchase of real estate or of any interest therein except in the ordinary and usual course of its business; provided, that the lease of one-to-four-family real estate owned shall be considered in the ordinary and usual course of business;
- p. enter into any contract or any agreement for the purchase, sale, or lease of goods, materials, equipment, supplies, services, or capital assets in an amount in excess of Ten Thousand Dollars (\$10,000);
- q. make any material change in accounting method;

- r. enter into any binding agreement to merge, consolidate, or otherwise be acquired, or to reorganize, except in connection with a plan of combination or reorganization or a Management Services Contract recommended by the OTS or its designee;
- s. amend or permit to be amended its charter or bylaws, except as allowed by the Regional Deputy Director;
- t. accept any non-cash capital contribution;
- u. open any branch office, loan production office, or agency;
- v. re-negotiate or pay interest payments on subordinated debt or other similar debt;
- w. accept any uninsured deposits;
- x. issue common or preferred stock except as expressly approved in advance by the OTS or its designee;
- y. encumber any of its property or other assets, except as security for advances from the Federal Home Loan Bank of Topeka;
- z. incur any material obligation or enter into any material transaction, except as otherwise permitted by this Agreement;
- aa. enter into any transaction which does not require inclusion on the balance sheet of the Institution under their current generally accepted accounting principles; or

bb. enter into any form of a binding letter of intent with a proposed acquirer of the Institution;

cc. enter into any debt restructuring, modification, or forgiveness of any debt with an original principle balance greater than One Hundred Thousand Dollars (\$100,000). For purposes of this subparagraph, the \$100,000 limit shall also apply to any combination of loans when added together is greater than \$100,000.

4. Within thirty (30) days of the effective date of this Order, the Institution shall develop 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. Such policies and procedures shall ensure that the Institution's management provides the Board of Directors with any appropriate reports no later than five (5) days prior to the monthly meeting.

5. Except for legally binding commitments, the Institution shall not, and shall not allow any wholly or partly-owned subsidiary, to make any payment, disbursement of funds, reimbursement, loan or extension of credit to, or purchase or sell any real or personal property from or to, or enter into any debt restructuring, modification or debt forgiveness with the individuals listed below, their immediate families, or any

partnerships, corporations, organizations, or other entities in which these individuals listed below have an ownership interest or control without the prior written approval of the Regional Deputy Director:

- a. Ernest Thayer
- b. John Albers
- c. Steven Anderson
- d. Robert Hindman
- e. Vincent Dowding
- f. Richard Stephens
- g. Herbert Mayer
- h. Robert Munro
- i. James Bamford
- j. Manendra Jariwala
- k. Ted Hesselgesser
- l. William Werner
- m. W. J. Hindman
- n. Gary Fitch
- o. S. D. Kucera
- p. Bruce Schreiner
- q. A. E. Van Wie

6. By February 28, 1992, the Institution shall submit to the Regional Deputy Director a written policy concerning loans and other extensions of credit (including overdrafts) to employees and other affiliated persons. This policy, before being implemented, shall be subject to the review and approval of the Regional Deputy Director and shall, at a minimum, fully comply with 12 C.F.R. Sections 563.41, 563.43 (1991) and Section 22(h) of the Federal Reserve Act, 12 U.S.C.S. § 375b (Law. Co-op. Supp. 1991).

7. The Institution shall adhere to the policy statement guidelines set forth in 12 C.F.R. Sections 571.7 and 571.9 (1991) concerning conflicts of interest and usurpation of corporate opportunity. The Institution shall formulate a written policy by February 28, 1992 concerning avoidance of conflicts of interest

and usurpation of corporate opportunity. At a minimum, such policy shall fully comply with Sections 23A, 23B and 22(h) of the Federal Reserve Act, 12 U.S.C.S. §§ 371c, 371c-1, and 375b (Law. Co-op. Supp. 1991) and shall:

- a. Specify, by name, any director, officer, employee, agent, or attorney whose occupation or business interests may create possible conflicts of interests or corporate opportunity abuses with the Institution;
- b. identify specific areas in which such abuses could occur. This shall include, but not be limited to, overdrafts and loans;
- c. describe specific policies and actions that the Institution will adopt to avoid potential conflicts of interests and corporate opportunity abuses;
- d. establish specific procedures for dealing with directors and management officials who violate the Institution's policies in these areas; and
- e. set forth the steps to be taken to eliminate any current or prevent future conflicts of interest (except for transactions specifically approved by the OTS), or the appearance of any conflicts of interest, or corporate opportunity abuses, or the appearance thereof.

To the extent deviations from the policy are authorized by the Institution's Board of Directors (or otherwise), the Regional Deputy Director shall be notified of the reasons therefore and provided a list of the directors' votes authorizing and opposing such deviations.

8. The Institution's Board of Directors shall establish a committee (which shall consist of at least one outside director) to monitor the Institution's compliance with this Order. This committee shall prepare, on a quarterly basis, a written report detailing any noncompliance with this Order and a description of specific measures that have been implemented to correct and/or abate any detected noncompliance. 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 Regional Deputy Director within thirty (30) days following the end of each quarter.

9. By February 28, 1992, the Board shall submit to the Regional Deputy Director revised policies and procedures for all internal policies and procedures which were identified as deficient in the March 5, 1991 Report of Examination. Before being submitted, such internal policies and procedures shall be approved by the Directorate.

10. The Institution shall comply in all respects with the limitations on loans-to-one-borrower and the maintenance of adequate records for multiple borrowers as set forth in 12 C.F.R.

Section 563.93 (1991) and Thrift Bulletins 32, 32-1 and 32-2 and any successor regulation, law or bulletin thereto.

11. By February 28, 1992, management shall submit to the Regional Deputy Director, a report by the Institution's independent auditors which addresses the issue of whether the December 28, 1990 "Settlement Agreement" between the Institution and Vincent L. Dowding constitutes income for Mr. Dowding. The Institution will take any action necessary to implement the findings by the independent auditors.

12. By February 28, 1992, management shall submit to the Regional Deputy Director, a report by the Institution's independent auditors which addresses the issue of whether the April 24, 1990 "Agreement" between the Institution and W. James Hindman constitutes income for Mr. Hindman. The Institution will take any action necessary to implement the findings by the independent auditors.

13. By February 28, 1992, management shall submit to the Regional Deputy Director a report by independent counsel, acceptable to the Regional Deputy Director, which addresses the issue of whether it was in the best interests of the Institution to enter into the December 28, 1990 "Settlement Agreement" between the Institution and Vincent L. Dowding and the April 24, 1990 "Agreement" between the Institution and W. James Hindman.

14. The Institution shall submit to the Regional Deputy Director on a quarterly basis, beginning December 31, 1991, a report which documents the Institution's attempts to obtain additional collateral and/or document additional sources of

repayment on loans which are primarily secured by non-income producing collateral or collateral which is not readily marketable. (Examples of non-income producing collateral and collateral which is not readily marketable are patents, interest in partnerships and common stock which is not publicly traded.) This report shall be submitted to the OTS within twenty (20) days after the end of each quarter.

III. Management Plan

15. Within sixty (60) days of the date of this Order, the directors shall cause Home Federal to submit, and the Institution shall submit, to the Regional Deputy Director, a plan for the reorganization and augmentation of the Institution's management ("Management Plan"). Such Management Plan shall provide for the replacement and/or augmentation of senior management, as appropriate, with new officers with experience in, and knowledge of, the savings and loan business or related businesses with the attendant commitment to safe and sound banking practices. The Management Plan shall specifically address the means by which the Institution will replace the current President and Managing Officer. The replacement of the current President and Managing Officer shall occur within one hundred twenty (120) days of the date of this Order. The Management Plan, before being implemented, shall be subject to the review and approval of the Regional Deputy Director.

IV. Asset Growth

16. Notwithstanding any other provision in this Order, without the prior written approval of the Regional Deputy Director, the Institution shall not increase its total assets or liabilities to a level greater than the amounts existing as of the date of this Order. Reductions in total assets or liabilities are not restricted; however, the reduced level becomes the new level which cannot be exceeded without the prior written approval of the Regional Deputy Director.

V. Reporting Requirements

17. No later than the last day of each calendar month, the Board of Directors shall file with the Regional Deputy Director a resolution, similar to the attached resolution, signed by each director present during the Board of Directors' meeting immediately preceding the last day of such calendar month, certifying that the Institution has complied with all conditions of this Order for the preceding month.

18. The Institution shall file all financial reports required by the OTS, including monthly and quarterly reports, by the required due date and such other reports requested by the Regional Deputy Director by the requested due date. In addition to these reports, the Institution shall submit, on a quarterly

basis beginning December 31, 1991, a status report on criticized and problem assets. At a minimum, this report shall include the following:

a. Loans:

- (i) original loan amount;
- (ii) current book value, detailing any established valuation allowance;
- (iii) major terms of loan;
- (iv) description and valuation of collateral;
- (v) delinquency status;
- (vi) amount of accrued interest;
- (vii) an estimate of the Institution's loss exposure;
- (viii) the interest paid to date; and
- (ix) status of collection efforts and litigation, if applicable.

b. Real Estate and other Repossessed Collateral:

- (i) description of property;
- (ii) current book value, detailing the basis used for valuation allowance;
- (iii) valuation of property, detailing the basis for valuation; and
- (iv) status of disposition efforts.

The status report should be submitted to this Office within 20 days after the end of each calendar quarter.

In addition to these requirements, by December 31, 1991, the Institution shall submit an individual plan of action for each classified asset with a book value exceeding \$250,000. The individual action plans shall be updated on a quarterly basis and submitted to the OTS within twenty (20) days after the end of a calendar quarter.

VI. General Provisions

19. All technical words or terms used in this Order, for which meanings are not specified or otherwise provided 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, HOLA, or the Federal Deposit Insurance Act ("FDIA"), and any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, or FDIA shall have meanings that accord with the best custom and usage in the savings and loan industry.

20. All OTS memoranda, bulletins, statutory, and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Order, or as amended or renumbered thereafter.

21. Nothing in this Order shall be construed as allowing the Institution to violate any law or regulation to which it is subject.

22. It is understood that the execution of this Order shall not be construed as an approval of any application or notices that are contemplated by the Institution.

23. It is expressly and clearly understood that if, at anytime, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

24. 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 and is not intended for the benefit of any third parties.

25. The provisions of this Order are effective upon issuance of this Order by the OTS, through its authorized representative whose hand appears below. This Order shall remain in effect until terminated, modified, or suspended by the OTS.

OFFICE OF THRIFT SUPERVISION

/S/

Billy C. Wood /
Regional Director
Midwest Regional Office

RESOLUTION

WHEREAS, the Board of Directors of Home Federal Savings and Loan Association of Grand Island, Grand Island, Nebraska has been required to make certain certifications regarding the activities as outlined in the Order to Cease and Desist dated _____, 1991, and

WHEREAS, the Board of Directors has reviewed certain activities and transactions with the senior officers of the Institution occurring during the month of _____, 1991;

NOW, THEREFORE, BE IT RESOLVED, that based upon reports and information provided to the undersigned directors by the senior officers of the Institution, the undersigned members of the Board of Directors hereby certify that, to the best of our knowledge and belief, Home Federal Savings and Loan Association of Grand Island has complied with all conditions of the Order to Cease and Desist during the month of _____, 19__.

DATE: _____

Resolution

It is hereby certified that a duly convened meeting of the Board of Directors of Home Federal Savings and Loan Association of Grand Island regarding a stipulation and consent to the entry of a Cease and Desist Order was held at 4:00 p.m. on January 21, 1992.

Confirmed this 21st
Day of January, 1992

/S/

Secretary of Home Federal
Savings and Loan Association
of Grand Island



Resolution

Exhibit B

It is hereby certified that the Board of Directors of Home Federal Savings and Loan Association of Grand Island adopted the cease and desist policies and procedures dated January 2, 1992 at its January 21, 1992 duly convened meeting

Confirmed this 21st
Day of January, 1992

/S/

Secretary of Home Federal
Savings and Loan Association
of Grand Island

