



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 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 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 (to be codified at 12 U.S.C. § 1813(c)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of 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, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)).

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, as amended by FIRREA (to be codified at 12 U.S.C. §1818(b)). Upon its issuance by the District Director for the Topeka District 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 (to be codified at 12 U.S.C. 1818(i)).

5. Waivers. Home Federal waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)), 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 (to be codified at 12 U.S.C. § 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its District Director for the Topeka District Office, OTS,

and Home Federal, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

HOME FEDERAL SAVINGS AND  
LOAN ASSOCIATION OF ADA  
by a majority of its directors

By 181  
\_\_\_\_\_  
Ronald N. Karr  
District Director  
Topeka District Office

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UNITED STATES OF AMERICA  
BEFORE THE  
OFFICE OF THRIFT SUPERVISION

\_\_\_\_\_  
In the Matter of )

HOME FEDERAL SAVINGS AND )  
LOAN ASSOCIATION OF ADA )  
Ada, Oklahoma )  
\_\_\_\_\_)

Resolution No. TOP-90-2 ,  
Date: May 8, 1990

ORDER TO CEASE AND DESIST

WHEREAS, Home Federal Savings and Loan Association of Ada, Ada, Oklahoma ("Home Federal" 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 District Director for the Topeka District Office ("District 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 §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"), to be codified at 12 U.S.C. § 1818(b);

NOW, THEREFORE, IT IS ORDERED that Home Federal 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 563.43 of the Rules and Regulations of the Office of Thrift Supervision ("OTS Regulations"), 12 C.F.R. Section 563.43 (1990);
- b. Section 563.170 of the OTS Regulations, 12 C.F.R. Section 563.170 (1990);
- c. Section 571.7 of the OTS Regulations, 12 C.F.R. Section 571.7 (1990); and,
- d. Section 22(h) of the Federal Reserve Act.

IT IS HEREBY FURTHER ORDERED that:

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. The term "affiliated person," as used in this Order shall have meaning as defined in 12 C.F.R. Section 561.5.

2. Without the prior written approval of the District Director or his designee ("District Director"), the Institution shall not, and shall not allow any wholly-owned or partly-owned

subsidiary of the Institution 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, Fredrick R. Dale.

3. Without the prior written approval of the District 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 where the primary obligor, secondary obligor, co-signor or guarantor on said loan is an officer, director, employee or affiliated person of the Institution, except loans not in excess of Five Thousand Dollars (\$5,000) made to non-officer employees secured by personal property.

4. The Institution and its subsidiaries shall comply in all respects with the requirements of Sections 563.40, 563.41, 563.43 of the OTS Regulations (12 C.F.R. Sections 563.40, 563.41 and 563.43) and Sections 23A, 23B and 22(h) of the Federal Reserve Act. Furthermore the Board of Directors shall immediately take any measures necessary to bring the Institution into full compliance with OTS Regulations 563.40, 563.41, 563.43 and Sections 23A, 23B and 22(h) of the Federal Reserve Act, including but not limited to:

- a. within ten (10) days after the effective date of this Order, the Institution shall retain independent legal counsel, acceptable to the District Director, to review all loans to affiliated persons currently in default and to initiate appropriate collection proceedings;

- b. within thirty (30) days after the effective date of this Order, the Institution shall provide to the District Director a list of all loans to affiliated persons or affiliates outstanding as of the date of this Order. The information for each loan shall include:
- i. the identity of the obligor and guarantor, if any;
  - ii. the date of the loan;
  - iii. the total amount disbursed;
  - iv. the loan amount remaining to be disbursed;
  - v. the terms of the loan;
  - vi. the publicly available terms for similar loans;
  - vii. the collateral for the loan;
  - viii. the prospects for repayment; and,
- c. Within thirty (30) days after the effective date of this Order, the Institution shall submit to the District 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 District Director;

5. Within thirty (30) days after the effective date of this Order, the Institution shall submit to the District Director written policies and procedures governing the use of Institution issued credit cards and employee expense reimbursements. These policies and procedures shall ensure that employee expense allowances and claims for reimbursements are fully documented and are proper incidents to the Institution's business activities. The written policies and procedures described in this paragraph five, before being implemented, shall be subject to the review and approval of the District Director.

6. Within thirty (30) days of the date of this Order, the Institution shall submit to the District Director a plan for the reorganization and/or augmentation of the Institution's management ("Management Plan"). Such Management Plan shall provide for the replacement and/or augmentation of senior and middle 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 also contain an organizational chart of the proposed management of the Institution, including the identity of all officers and employees, a description of their respective responsibilities, and the specific qualification of each of the proposed officers. The Management Plan, before being implemented, shall be subject to the review and approval of the District Director.

7. Within thirty (30) days after 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; 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. The written policies and procedures described in this paragraph seven, before being implemented, shall be subject to the review and approval of the District Director.

8. The Institution shall adhere to the policy statement guidelines set forth in 12 C.F.R. Sections 571.7 and 571.9 concerning conflicts of interest and usurpation of corporate opportunity. Within forty-five (45) days after the effective date of this Order, the Institution shall submit a revised written policy, fully acceptable to the District Director, concerning avoidance of conflicts of interest and usurpation of corporate opportunity. At a minimum, such plan shall fully comply with Sections 23A, 23B and 22(h) of the Federal Reserve Act and will:

- 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;
- 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 plan are authorized by the Institution's board of directors (or otherwise), the District Director shall be notified of the reasons therefor and provided a list of the directors' votes authorizing and opposing such deviations.

9. Within thirty (30) days after the effective date of this Order, the Institution shall submit to the Supervisory Agent for approval, specific policies relating to loan modifications for troubled debt restructuring. This policy shall state the terms

and conditions upon which modifications will be considered, the levels of approval required and a commitment to following generally accepted accounting principles in recording and reporting modified loans.

10. Within sixty (60) days after the effective date of this Order, the Institution shall submit to the District Director for approval, specific loan and investment policies and procedures that shall govern all loans, other extensions of credit, and loan investments made or purchased by the Institution or its subsidiaries ("Underwriting Standards"). These Underwriting Standards, at a minimum, shall require that prior to making or purchasing (or committing to make or purchase) any loan, other extension of credit or loan investment, the Institution or its subsidiaries must have obtained, as appropriate, each of the items listed in subsections (a) through (p) of paragraph 11 and subsections (a) through (c) of paragraph 12 of this Order, and in 12 C.F.R. Section 563.170(c).

11. Until it has received approval of the Underwriting Standards from the District Director the Institution or any of its subsidiaries shall not make or purchase any loan (other than 1-4 family dwelling loans from FHLMC, FNMA, or GNMA supervised lenders and consumer loans acquired through secondary markets), other extension of credit or investment without having first obtained, as appropriate, each of the following:

- a. a written application signed by the borrowers and guarantors stating the purpose of the loan, extension of credit or investment, and the identity of the security property;
- b. signed financial statements of the borrowers and guarantors;
- c. a signed statement disclosing the purchase price paid by the borrowers;
- d. current credit reports for each borrower and guarantor together with a written report signed by an employee of the Institution responsible for analyzing the loan, extension of credit or investment ("Underwriter") explaining all outstanding derogatory items in the report and reflecting compliance with the Equal Credit Opportunity Act;
- e. a written report, signed by the Underwriter, evidencing that material items in the borrowers' and guarantors' financial statements have been verified and analyzed to ensure that the borrowers and guarantors have sufficient assets and cash flow to retire the loan under the terms of the note and/or guaranty;

- f. in the case of a loan or extension of credit upon real property or real property interests, an appraisal report which complies with 12 C.F.R. Sections 563.170(c)(1)(iv) and 563.171 and conforms to generally-acceptable appraisal policy and practice guidelines;
- g. 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;
- h. written evidence, duly verified, that the borrower has invested cash or another form of equity, as appropriate, in the security property;
- i. in the case of construction loans or multiple disbursement loans for improvements, written cost estimates and breakdowns prepared by a qualified engineer, architect, or other person qualified to prepare such an estimate;

- j. written market feasibility studies prepared by a qualified professional for all acquisition, development, and construction loans;
- k. a written approval form showing when and by whom the loan, other extension of credit or investment was approved and the terms and conditions of such approval;
- l. title insurance commitment or acceptable attorney's opinion establishing the quality and validity of the Institution's lien on any real estate securing the extension of credit, and subsequent to closing of the loan, a title insurance policy or acceptable attorney's opinion reflecting the required quality and validity of the Institution's lien, and as supported by a current, signed survey reflecting all physical improvements above and below ground, encroachments, flood plain status, easements, and boundary line descriptions;
- m. written documentation showing that the Institution, upon the closing of the loan, or other extension of credit, furnished the borrowers or guarantors a statement setting forth in detail all charges and fees paid and obligated to be paid, including, but not limited to, the loan settlement statement;

- n. a written record showing the status of taxes, assessments, insurance premiums, and other charges on the security of the loan, other extensions of credit or investment;
- o. written documentation evidencing hazard insurance, in full force and effect, to protect the Institution from loss, as outlined in the policy statement at 12 C.F.R. Section 571.4; and
- p. the file for each loan or loan commitment granted or purchased by the Institution shall include a written certification by an officer or other employee of the Institution that upon actual review, knowledge, and belief the loan complies with all acceptable provisions of the OTS Regulations and this Order.

12. The Institution shall not disburse funds on existing participations, loans in process, investments or other extensions of credit (other than 1-4 family residential loans, consumer loans including those acquired through secondary markets, and investments eligible as assets qualifying for liquidity as defined in 12 C.F.R. Section 566.1) without first having obtained, as appropriate, each of the items listed in subsections (a) through (p) of paragraph 11 of this Order. Furthermore, the Institution shall not disburse funds for any loan, participation, or other extension of credit unless it has obtained the following:

- a. written documentation showing the date, amount, purpose, and recipient of every disbursement;
- b. written documentation evidencing all modifications to the original contract, including appropriate approval of each modification; and
- c. written documentation supporting all releases of any portion of the collateral supporting the loan or other extension of credit.

Every disbursement of funds, except as excluded above, of Twenty-five Thousand Dollars (\$25,000) or more shall be approved in advance by a committee established by the Institution's board of directors, which committee shall consist of at least one outside director. The minutes of each meeting of such committee shall reflect such approval and shall adequately describe the nature and purpose of the disbursement.

13. 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.

14. 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, and the Board of Directors shall develop and

implement such procedures as are necessary to ensure compliance therewith.

15. Within sixty (60) days after the effective date of this Order the Institution shall submit to the District Director for approval a revised asset classification policy. This revised policy shall adhere to the guidelines set forth in 12 C.F.R. Section 563.160 and shall specifically address the Institution's policies and procedures for classifying commercial and consumer credits. In addition, this revised policy shall reflect the Institution's adoption of the definition of "consumer credit" as that term is defined in 12 C.F.R. Section 561.12.

16. The Board of Directors shall ensure that the President of Home Federal 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 ensure that the President's report is entered into the minutes of each meeting, and that the District Director is provided with an approved copy of the subject minutes no later than ten business days following the end of each Board meeting at which time said minutes were approved. 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 file with the District Director a resolution, similar to the attached resolution, signed by each director, certifying that the Institution has complied with all conditions of this Order.

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. The District Director will consider a request for the termination of this Order at the completion of an examination which finds substantive compliance with all the terms of this Order.

OFFICE OF THRIFT SUPERVISION

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Ronald N. Karr  
District Director  
Topeka District Office

RESOLUTION

WHEREAS, the Board of Directors of Home Federal Savings and Loan Association of Ada, Ada, Oklahoma, has been required to make certain certifications regarding the activities as outlined in the Order to Cease and Desist dated \_\_\_\_\_, 1990, and

WHEREAS, the Board of Directors have reviewed certain activities and transactions with the senior officers of the Institution occurring during the month of \_\_\_\_\_, 1990;

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 Ada has complied with all conditions of the Order to Cease and Desist during the month of \_\_\_\_\_, 19\_\_.

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DATE: \_\_\_\_\_