FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of DANIEL R. SKALBERG, individually and as a former institution-affiliated party of PINNACLE BANK LINCOLN, NEBRASKA (INSURED STATE NONMEMBER BANK)	NOTICE OF INTENTION TO REMOVE FROM OFFICE AND PROHIBIT FROM FURTHER PARTICIPATION, NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO PAY, and NOTICE OF HEARING FDIC-12-535e FDIC-12-531k

The Federal Deposit Insurance Corporation ("FDIC"), has determined that Daniel R. Skalberg ("Respondent"), individually, and as an institution-affiliated party of Pinnacle Bank, Lincoln, Nebraska ("Bank"), has directly or indirectly engaged or participated in unsafe or unsound practices and breaches of his fiduciary duties in connection with the Bank; that the Bank has suffered financial loss, risk of loss, or other damage, and that the interests of the Bank's depositors have been prejudiced; that the unsafe or unsound practices and breaches of fiduciary duty were part of a pattern of misconduct; and that such unsafe or unsound practices and breaches of fiduciary duties demonstrate Respondent's personal dishonesty and his willful and continuing disregard for the safety and soundness of the Bank.

The FDIC, therefore, institutes this proceeding, pursuant to the provisions of section 8(e) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(e), and the FDIC Rules of Practice and Procedure ("FDIC Rules"), 12 C.F.R. Part 308, for the purpose of determining whether an appropriate ORDER OF REMOVAL FROM OFFICE AND PROHIBITION FROM

FURTHER PARTICIPATION ("ORDER OF REMOVAL AND PROHIBITION") should be issued removing Respondent as an institution-affiliated party of The Tilden Bank, Tilden, Nebraska, and prohibiting him from further participation in the conduct of the affairs of The Tilden Bank, the Bank, and any other insured depository institution or organization listed in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior written approval of the FDIC and such other "appropriate Federal financial institutions regulatory agency," as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D).

The FDIC has further determined that Respondent recklessly engaged in unsafe or unsound practices in conducting the affairs of the Bank and breached his fiduciary duties to the Bank; and, that these unsafe or unsound practices and breaches of fiduciary duties were part of a pattern of misconduct by Respondent and caused more than a minimal loss to the Bank. The FDIC, therefore, also institutes this proceeding, pursuant to the provisions of section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B), and the FDIC Rules, 12 C.F.R. Part 308, for the assessment of a civil money penalty against Respondent.

In support thereof, the FDIC alleges as follows.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

JURISDICTION

1. The Bank is, and at all times pertinent to these proceedings has been, a corporation existing and doing business under the laws of the State of Nebraska, having its principal place of business in Lincoln, Nebraska.

2. The Bank is, and at all times pertinent to these proceedings has been, an insured State nonmember bank, subject to the Act, 12 U.S.C. §§ 1811-1835a, the Rules and Regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Nebraska.

3. From 1996 until he voluntarily resigned in May 2010, Respondent was employed as branch president of the Madison, Nebraska branch of the Bank.

4. In May 2010, Respondent became the manager of the Madison, Nebraska loan production office of The Tilden Bank and remains employed in that capacity to date.

5. Accordingly, at all times pertinent to these proceedings, Respondent was an "institution-affiliated party" of the Bank, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and remains in banking at The Tilden Bank.

6. The FDIC has jurisdiction over the Bank, Respondent, and the subject matter of this proceeding.

MISCONDUCT

7. From 2006 to 2010, while Respondent was branch president of the Madison, Nebraska branch of the Bank, he engaged in a scheme to funnel loan proceeds to or for the benefit of used car dealer [redacted]; operated a used car dealership named "[redacted]," a sole proprietorship in Madison, Nebraska. Respondent funneled the loan proceeds through a series of loans to borrowers who were not creditworthy and were not tied to [redacted].

8. Respondent's scheme included the use of unfunded cashier's checks as a form of short-term lending to [redacted] and her business. The checks were issued up to seven days prior to clearing [redacted] often overdrawn business checking account.

9. Respondent's delay in posting the cashier's checks to [redacted] account operated as a form of unsecured short-term lending that escaped Bank management scrutiny.

10. Respondent's actions disguised the true extent of lending to [redacted] and her dealership. As a result of Respondent's misconduct, the Bank incurred substantial losses of

$310,648.82 in relation to the loans made to or for [redacted]'s benefit, including $182,924.82 in loans made directly to [redacted] after the nominee loan scheme started.

11. The scheme extended to also benefit [redacted]'s mother, [redacted], through the conversion of certain loan funds to conceal [redacted]'s deteriorating loan portfolio and overdrawn deposit accounts.

12. As a result of Respondent's misconduct, the Bank will probably suffer financial loss or other damage in relation to the diversion of loan funds to conceal past due loans and overdrawn deposit accounts.

13. As part of the scheme, starting October 24, 2006, and continuing through February 25, 2010, Respondent made a series of twelve nominee loans to [redacted] ("[redacted]"), the proceeds of which primarily went to or benefited [redacted] and her business. A majority of the payments came from [redacted], her business, or her customers. None of the collateral purportedly securing the loans to [redacted] was in [redacted]'s name, but rather a majority of the collateral was in the name of [redacted], her business, or both.

14. [redacted] did not have means to repay the loans Respondent made to him, and a majority of the loans were ultimately charged off by the Bank.

15. Also as part of the scheme, starting June 30, 2006, and continuing through January 26, 2010, Respondent made a series of fifteen nominee loans to [redacted] ([redacted]"), the proceeds of which primarily went to or benefited [redacted] and her business. A majority of the payments came from [redacted], her business, or her customers. Only one piece of collateral purportedly securing the loans to [redacted] was in [redacted]'s name; rather, a majority of the collateral was in the name of [redacted], her business, or both.

16. [redacted] did not have means to repay the loans Respondent made to him, and a majority of the loans were ultimately charged off by the Bank.

17. Also as part of the scheme, on December 14, 2007, Respondent made a nominee loan to [redacted] and [redacted], husband and wife (individually and collectively referred to hereafter as "[redacted]"), the proceeds of which went to or benefited [redacted] and her business. All of the payments came from [redacted], her business, or her customers. None of the collateral purportedly securing the loans to [redacted] in [redacted] name, but rather a majority of the collateral were in the name of [redacted] her business, or both.

18. [redacted] did not have means to repay the loan Respondent made to them, and the loan was ultimately charged off by the Bank, after having been refinanced three times under another borrower's name.

19. Also as part of Respondent's scheme, starting February 5, 2008, and continuing through September 28, 2009, Respondent made a series of three nominee loans to [redacted] ("[redacted]"), the proceeds of which primarily went to or benefited [redacted] and her business. A vast majority of the limited payments came from [redacted], her business, or her customers. None of the collateral purportedly securing the loans to [redacted] was in [redacted] name, but rather a majority of the collateral were in the name of [redacted], her business, or both.

20. [redacted] did not have means to repay the loans Respondent made to her, and the last loan was ultimately charged off by the Bank.

The [redacted] Loans

21. While he was the Bank's Madison branch president, Respondent caused the Bank to make a series of twelve loans to [redacted] dated from October 24, 2006, to February 5, 2010 (hereafter referred to as the "[redacted] loans"). The amounts of the twelve [redacted] loans ranged from $5,000 to $23,000 each.

22. The twelve [redacted] loans can be separated into two main categories of loans – (a) a series of nine notes that consist of consumer single pay notes originated on October 24, 2006, and November 1, 2007, in the amounts of $16,000 and $5,000, respectively, and were cumulatively renewed seven times into the final note originated on July 31, 2009, in the amount of $23,000; and (b) a series of three notes consisting of two amortizing notes originated on April 9, 2007, and November 6, 2008, in the amounts of $17,507 and $5,195, respectively, and which were consolidated into one amortizing note dated February 5, 2010, in the amount of $9,600.

23. The [redacted] loans were identified to be primarily for the purpose of purchasing automobiles and then renewals of those notes, but virtually all the automobiles purportedly securing the loans were titled in the names of [redacted], or both. None of the automobiles were titled in [redacted]'s name; therefore, all of the [redacted] loans were unsecured.

24. Respondent knew or should have known that—

(a) a vast majority of the [redacted] loan proceeds were being distributed to or for [redacted] benefit, through her dealership;

(b) [redacted] did not operate a shop or business of any kind and was not in the business of selling automobiles himself;

(c) the loan payments predominantly came from [redacted] or its customers;

(d) none of the vehicles purportedly securing the [redacted] loans were titled in [redacted] name;

(e) all of the [redacted] loans were unsecured;

(f) a vast majority of the vehicles purportedly securing the [redacted] loans were titled in the name of [redacted], or her customers;

(g) [redacted] had a full-time job at the local [redacted] pork processing plant making approximately $30,000 per year;

(h) [redacted] financial condition did not support his ability to repay the [redacted] loans as structured; and

(i) the [redacted] loans were for the benefit of [redacted] and her business.

25. Respondent did not tie the [redacted] loans with [redacted] loans for Bank reporting purposes, which disguised the true extent of lending outstanding to [redacted] and her dealership.

26. By reason of his misconduct as alleged herein, Respondent made the [redacted] loans:

(a) although he knew or should have known that his statements of the loan purposes were misleading;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because he lacked adequate financial and collateral support.

27. Respondent knew or should have known that if Bank management discovered that the [redacted] loan proceeds were used primarily for the benefit of [redacted] in her auto dealership, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the [redacted] loans.

28. By reason of Respondent's misconduct regarding the [redacted] loans, the Bank incurred loss. The [redacted] loans resulting balances were $23,000 for the single pay notes and $9,448.06 for the amortizing notes; these balances were charged off on August 27, 2010.

29. By reason of his misconduct regarding the [redacted] loans, Respondent:

(a) engaged in unsafe and unsound banking practices;

(b) breached his fiduciary duties to the Bank;

(c) caused loss to the Bank totaling $32,448.06;

(d) prejudiced the interests of the Bank's depositors;

(e) demonstrated his willful disregard for the Bank's safety and soundness;

(f) demonstrated his continuing disregard for the Bank's safety and soundness; and,

(g) exhibited his personal dishonesty.

The [redacted] Loans

30. While he was the Bank's Madison branch president, Respondent caused the Bank to make a series of fifteen loans to [redacted] dated from June 30, 2006 to January 26, 2010 (hereafter referred to as the "[redacted] loans"). The amounts of the fifteen [redacted] loans ranged from $1,400 to $69,000 each.

31. The fifteen [redacted] loans can be separated into three categories of loans – (a) a series of fives notes that consist of a consumer single pay note originated in June 30, 2006, and renewed four times until it was paid off by a nominee note to [redacted] on September 24, 2007; (b) a series of six distinct consumer loans of varying types made to [redacted] that were all eventually consolidated into the final nominee note to [redacted] on January 26, 2010; and (c) a series of four large nominee loans that originated with a $69,000 single advance, single pay commercial note on May 2, 2010, and was renewed three times until it was charged off on August 27, 2010. The four large nominee loans are described in more detail below.

32. Respondent stated on the notes and in credit file records for each of the four large nominee loans that the loan proceeds would be used by [redacted] for capital assets. Respondent's statements regarding the purpose of the loans were false and were made to conceal the true use and beneficiary of the loan proceeds.

33. Respondent knew or should have known that—

(a) the vast majority of [redacted] loan proceeds were being distributed to or for [redacted] benefit, through her dealership;

(b) [redacted] was not in the business of selling automobiles himself;

(c) the loan payments were coming from [redacted] or its customers;

(d) all of the vehicles, except for one, purportedly securing the [redacted] loans were titled in the name of [redacted] or its customers;

(e) [redacted] did not have the means to repay the loans as structured without [redacted] or her business's assistance;

(f) [redacted] had a full-time job at the local [redacted] pork processing plant making less than $35,000 per year; and

(g) the [redacted] loans were for the benefit of [redacted] and her business.

34. Respondent did not tie the [redacted] loans with [redacted] loans for Bank reporting purposes, which disguised the true extent of lending outstanding to [redacted] and her dealership.

The First [redacted] Loan

35. Respondent as Bank branch president caused the Bank to make a loan to [redacted] on May 2, 2007, for $69,000. Respondent stated on the note that the loan purpose was "Capital Assets." Respondent stated in other Bank credit file records that the purpose of the credit or use of the proceeds was "Floor Plan."

36. Notwithstanding Respondent's statements on the note and in the Bank credit file records, he caused and permitted the first [redacted] loan proceeds to help clear a $74,320.68 overdraft of [redacted] business account.

37. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

38. The first [redacted] loan was a single advance, single pay note totaling $69,000.

39. The first [redacted] loan's proceeds were distributed by cashier's check dated May 2, 2007, under Respondent's signature, by remitter [redacted] to [redacted] The $69,000 cashier's check was deposited to [redacted] business checking account on May 2, 2007, which, along with a $5,000 cash deposit, brought [redacted] business account to a positive balance of $276.45.

40. On the note, Respondent identified collateral for the first [redacted] loan as a security agreement dated May 2, 2007.

41. Upon information and belief, Respondent prepared a commercial security agreement dated May 2, 2007, purporting to have [redacted] pledge various commercial property; however, the security agreement was not executed by [redacted]. Respondent also did not attempt to perfect this security interest by filing a UCC financing statement with the Nebraska Secretary of State/UCC Division.

42. Without an executed security agreement, the $69,000 firs[redacted] loan was actually an unsecured loan.

43. Respondent did not identify any specific collateral for the firs[redacted] loan. Respondent did not track or inspect any of the purported collateral for the first[redacted] loan.

44. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted] financial condition did not support the first[redacted] loan.

45. The only payment received on the first[redacted] loan before it was refinanced by the second [redacted] loan was a partial interest-only payment of $1,310.05, made from the loan proceeds of a [redacted] real estate transaction, on July 18, 2007, after the firs[redacted] loan's maturity date of July 1, 2007.

46. By reason of his misconduct as alleged herein, Respondent made the firs[redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because he lacked adequate financial and collateral support.

47. Respondent knew or should have known that if Bank management discovered that the first [redacted] loan proceeds were used for the benefit of [redacted]z in her auto dealership, primarily to clear a significant overdraft balance, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the first[redacted]'s loan.

48. The first [redacted] loan was refinanced by another nominee loan on July 31, 2007.

The Second [redacted]'s Loan

49. Respondent as Bank branch president caused the Bank to renew the firs[redacted]s loan with a new loan to [redacted] on July 31, 2007, for $69,000. Respondent stated on the note that the loan purpose was "Capital Assets." No other supporting loan documentation was obtained or prepared by Respondent.

50. Notwithstanding Respondent's statements on the note, the second [redacted] loan's entire purpose was to refinance and amortize the firs[redacted]s loan, which was funded to help clear a $74,320.68 overdraft of [redacted]'s business account.

51. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

52. The second[redacted]'s loan's proceeds were distributed solely by general ledger ("GL") ticket, under Respondent's authorization, to pay off the firs[redacted]'s loan in the amount of $69,221.17. The $221.17 difference between the secon[redacted] loan's proceeds and the first [redacted]'s loan's payoff amount was paid by a debit to [redacted]s business account.

53. The second [redacted] loan was an amortizing note, requiring 14 monthly payments of $5,000 beginning September 1, 2007, and a final payment of $3,148.58 at maturity on November 1, 2008.

54. The Bank received numerous payments over the course of the second [redacted]s loan. Nearly all of the payments were made by debit transaction from [redacted] business checking account. The other payments were made by cash.

55. On the note, Respondent identified collateral for the second [redacted]s loan as the previously identified security agreement dated May 2, 2007. Given the fact that the May 2, 2007, commercial security agreement was not executed by [redacted], the $69,000 second [redacted] loan was also an unsecured loan.

56. Respondent did not identify any specific collateral for the second [redacted]. Respondent did not track or inspect any of the purported collateral for the second [redacted]s loan.

57. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted] financial condition did not support the second [redacted] loan.

58. By reason of his misconduct as alleged herein, Respondent made the second [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that Llanas would not repay the loan because he lacked adequate financial and collateral support.

59. Respondent knew or should have known that if Bank management discovered that the second [redacted] loan proceeds were used to refinance a loan made for the benefit o[redacted]a [redacted] in her auto dealership, primarily to clear a significant overdraft balance, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the second[redacted] loan.

60. The second [redacted] loan was refinanced by another nominee loan on October 31, 2008.

The Third [redacted] Loan

61. Respondent as Bank branch president caused the Bank to renew the second[redacted]s loan and pay off a note made to[redacted]z with a new loan t[redacted] on October 31, 2008, for $41,000. Respondent stated on the note and in other Bank credit file records that the loan purpose was "Capital Assets."

62. Notwithstanding Respondent's statements on the note and in the Bank credit file records, the third [redacted] loan's entire purpose was to refinance the second[redacted] loan and one of [redacted] [redacted] notes.

63. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

64. The third [redacted] loan paid off a note made t[redacted] by Respondent on August 29, 2008, in the amount of $32,000. At the time of payoff, [redacted] [redacted] note was 30 days past due, and Respondent prepared a loan evaluation for [redacted] [redacted] lines five

days later, on November 5, 2008. The Bank's risk department also began a loan review for the Madison branch on November 12, 2008.

65. The third [redacted] loan's proceeds were distributed solely by GL ticket, under Respondent's authorization, to pay off the second [redacted] loan in the amount of $8,631.05 and the [redacted] loan in the amount of $32,441.86. The $72.91 difference between the third [redacted] loan's proceeds of $41,000 and the two loan payoff amounts of $41,072.91 was paid by a debit to [redacted] business account. Respondent, however, identified [redacted] business account on the DDA debit ticket as owned by [redacted].

66. The third [redacted] loan was an amortizing note, requiring 17 monthly payments of $2,500 beginning December 1, 2008, and a final payment of $1,402.46 at maturity on May 1, 2010.

67. The Bank received a total of 13 payments of varying amounts over the course of the second [redacted] loan. All of the payments were made by debit transaction from [redacted] a [redacted] business checking account.

68. On the note, Respondent identified collateral for the third [redacted] loan as security agreements dated October 31, 2008, September 16, 2008, May 21, 2008, May 30, 2008, and July 1, 2008.

69. Upon information and belief, Respondent prepared a commercial security agreement dated October 31, 2008, purporting to have [redacted] pledge various commercial property, including specific property described as "all vehicles now owned or hereafter acquired"; however, the security agreement was not executed by [redacted].

70. Upon information and belief, Respondent prepared a consumer security agreement dated September 16, 2008, purporting to have [redacted]'s pledge a 2002 Ford Mustang convertible; however, the security agreement was not executed by [redacted]'s.

71. Upon information and belief, Respondent prepared a consumer security agreement dated May 21, 2008, purporting to have [redacted]'s pledge a 1999 Cadillac Escalade; however, the security agreement was not executed by [redacted]'s.

72. Upon information and belief, Respondent prepared a consumer security agreement dated May 30, 2008, purporting to have [redacted]'s pledge a 1985 Chevrolet Monte Carlo; however, the security agreement was not executed by [redacted]'s.

73. Upon information and belief, Respondent prepared a consumer security agreement dated July 1, 2008, purporting to have [redacted]'s pledge a 1964 Chevrolet Impala; however, the security agreement was not executed by [redacted]'s.

74. Respondent knew or should have known that all the vehicles listed as collateral in the consumer security agreements dated September 16, 2008, May 21, 2008, May 30, 2008, and July 1, 2008, were titled to [redacted]'s and other auto sales customers at the time the agreements were purportedly created.

75. Without any executed security agreements, the $41,000 third [redacted]'s loan was also an unsecured loan.

76. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted]'s financial condition did not support the third [redacted]'s loan.

77. By reason of his misconduct as alleged herein, Respondent made the third [redacted]'s loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because he lacked adequate financial and collateral support.

78. Respondent knew or should have known that if Bank management discovered that the third [redacted] loan proceeds were used to refinance two loans made for the benefit of [redacted] business, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the third [redacted] loan.

79. The third [redacted] loan was refinanced by another nominee loan on January 26, 2010.

The Fourth [redacted] Loan

80. Respondent as Bank branch president caused the Bank to renew the third [redacted] loan and pay off several other smaller [redacted] loans with a new loan to [redacted] on January 26, 2010, for $43,800. Respondent stated on the note that the loan purpose was "Capital Assets." No other supporting loan documentation was obtained or prepared by Respondent.

81. Notwithstanding Respondent's statements on the note, the fourth [redacted] loan's entire purpose was to refinance the third [redacted] loan and several other smaller [redacted] loans.

82. In addition to the third[redacted]s loan, the fourth[redacted]s loan paid off six other smaller[redacted] notes totaling $27,002.99. The six other notes were all identified as consumer notes, the majority of which were made for the benefit of [redacted]z and her dealership.

83. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

84. The fourth[redacted] loan's proceeds were distributed solely by GL ticket, under Respondent's authorization, to pay off the third[redacted]s loan in the amount of $16,868.82 and the other[redacted] consumer loans in the amounts of $5,520.26, $1,493.77, $4,103.95, $7,091.70, $2,802.03, and $5,991.28, respectively. The $71.81 difference between the fourth[redacted]s loan's proceeds of $43,800 and the seven loan payoff amounts of $43,871.81 was paid by cash purportedly from[redacted].

85. The fourth[redacted] loan was an amortizing note, requiring 11 monthly payments of $500 beginning February 15, 2010, and a balloon payment of $41,276.49 at maturity on January 15, 2011.

86. The Bank received three cash payments of $500 each on the fourth[redacted] loan, one on March 9, 2010, and two payments on April 28, 2010. The remaining balance of $43,099.06 was charged off on August 27, 2010.

87. On the note, Respondent identified collateral for the fourth[redacted]s loan as security agreements dated October 31, 2008, October 11, 2008, September 16, 2008, and January 26, 2010.

88. Upon information and belief, Respondent prepared a commercial security agreement dated October 31, 2008, purporting to have[redacted]s pledge various commercial

property, including specific property described as "all vehicles now owned or hereafter acquired"; however, the security agreement was not executed by [redacted]s.

89. Upon information and belief, Respondent prepared a consumer security agreement dated October 11, 2006, purporting to have [redacted]s pledge a 2001 Chevrolet Impala; however, the security agreement was not executed by [redacted]. In addition, while this security agreement identifies the only vehicle found to be titled in [redacted]s name, this agreement was not referenced on the note for the fourth [redacted]s loan, as it identified a security agreement dated October 11, 2008, not 2006.

90. Upon information and belief, Respondent prepared a consumer security agreement dated September 16, 2008, purporting to have [redacted]s pledge a 2002 Ford Mustang convertible; however, the security agreement was not executed by [redacted]. Again, the automobile purporting to serve as collateral for this security agreement was only ever titled in [redacted]a [redacted] personal or business names and was never titled by [redacted].

91. Respondent prepared a commercial security agreement dated January 26, 2010; however, while this agreement was actually signed by [redacted]s and Respondent, it does not identify any debts secured by the agreement or property securing those debts. The security agreement is signed in blank. In addition, while Respondent did attempt to perfect this security interest by filing a UCC financing statement with the Nebraska Secretary of State/UCC Division on February 3, 2010, given the fact that the underlying agreement did not identify any debts it secured or property as collateral, the financing statement did not operate to perfect a properly created lien.

92. Without any properly executed security agreements, the $43,800 fourth [redacted]s loan was also an unsecured loan.

93. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted] financial condition did not support the fourth [redacted] loan.

94. By reason of his misconduct as alleged herein, Respondent made the fourth [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because he lacked adequate financial and collateral support.

95. Respondent knew or should have known that if Bank management discovered that the fourth [redacted] loan proceeds were used to refinance seven loans primarily made for the benefit of [redacted] business, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the third [redacted] loan.

96. By reason of Respondent's misconduct regarding all four [redacted] loans, the Bank incurred loss. The fourth [redacted] loan was charged off on August 27, 2010, in the amount of $43,099.06.

97. By reason of his misconduct regarding the [redacted] loans, Respondent:

(a) engaged in unsafe and unsound banking practices;

(b) breached his fiduciary duties to the Bank;

(c) caused loss to the Bank totaling $43,099.06;

(d) prejudiced the interests of the Bank's depositors;

(e) demonstrated his willful disregard for the Bank's safety and soundness;

(f) demonstrated his continuing disregard for the Bank's safety and soundness; and,

(g) exhibited his personal dishonesty.

The [redacted] Loans

98. While he was the Bank's Madison branch president, Respondent caused the Bank to make a series of loans to [redacted] and [redacted], one to [redacted] dated December 14, 2007, and three to [redacted] dated February 5, 2008, October 27, 2008, and September 28, 2009, respectively (hereafter referred to as the [redacted]).

99. The amounts of the four [redacted] loans were $40,000, $40,000, $40,041, and $42,500, respectively.

100. Respondent stated on the notes and in credit file records of the [redacted] loans that the loan proceeds would be used by the named borrowers to purchase autos for resale, purchase autos, help daughter with house, and renew a prior note, respectively. Respondent's statements regarding the purpose of the loans were misleading at best, false at worst, and made to conceal the true use and beneficiary of the loan proceeds.

101. Respondent knew or should have known that—

(a) the loan proceeds were not for [redacted] or [redacted] purported businesses, but rather were for the benefit of [redacted] business, [redacted];

(b) [redacted] and [redacted] were not in the business of selling automobiles themselves, individually or collectively;

(c) the loan payments were coming from [redacted] or its customers;

(d) all of the vehicles purportedly securing the [redacted] loans were titled in the name of [redacted] or its customers;

(e) neither [redacted] nor [redacted] had the means to repay the loans as structured;

(f) [redacted], and [redacted] all had full-time jobs at the local [redacted] pork processing plant, with each making less than $30,000 per year; and

(g) the [redacted] loans were for the benefit of [redacted] and her business.

102. Respondent did not tie the [redacted] loans with [redacted] loans for Bank reporting purposes, which disguised the true extent of lending outstanding to [redacted] and her dealership.

The First [redacted] Loan

103. Respondent as Bank branch president caused the Bank to make a loan to [redacted] on December 14, 2007, for $40,000. Respondent stated on the note that the loan purpose was "Purchase Autos for Resale." Respondent stated in other Bank credit file records that the purpose of the credit or use of the proceeds was "Capital Assets/Autos for Resale."

104. Notwithstanding Respondent's statements on the note and in the Bank credit file records, he caused and permitted the first [redacted] loan proceeds to fund inventory purchases for [redacted] and pay down [redacted] floor plan note at [redacted], a floor plan financing company operating out of Omaha, Nebraska.

105. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

106. The first [redacted] loan was a multiple advance, open end line of credit with a $40,000 line limit, essentially an operating line of credit.

107. The first [redacted] loan's proceeds were distributed by multiple cashier's checks dated December 20, 2007, December 27, 2007, December 31, 2007, January 4, 2008, January 16, 2008, and January 25, 2008, in the amounts of $22,000, $18,000, $13,000, $16,500, $28,500, and $7,000, respectively. All of the cashier's checks issued under this loan were signed by Respondent and identified the remitter a[redacted]s.

108. All of the cashier's checks, except the $13,000 check dated December 31, 2007, were payable to [redacted]s floor plan lender. The $13,000 cashier's check dated December 31, 2007, was made payable to the Lincoln Auto Auction.

109. Over the course of the firs[redacted]e loan, the Bank received eight payments totaling $71,000. Two payments consisted of loan proceeds disbursed by Respondent in the form of cashier's checks payable to[redacted]s, from customers o[redacted]a [redacted] dealership. One payment came from a money order payable [redacted]by a customer. The remaining five payments consisted of four debit transactions from [redacted]na [redacted] business checking account, as well as a social security check endorsed b[redacted]and [redacted]s father[redacted], and cash.

110. On the note, Respondent identified collateral for the firs[redacted]e loan as a security agreement dated December 17, 2007.

111. Upon information and belief, Respondent prepared a commercial security agreement dated December 14, 2007, purporting to hav[redacted] pledge various

commercial property, including specific property described as "all vehicles now owned and hereafter acquired"; however, the security agreement was not executed by [redacted].

112. Without an executed security agreement, the $40,000 first [redacted] loan was actually an unsecured loan.

113. Respondent did attempt to perfect the Bank's purported security interest in [redacted] assets by filing a UCC financing statement with the Nebraska Secretary of State/UCC Division on December 16, 2007. However, given the fact that the underlying security agreement dated December 14, 2007, was not signed by [redacted], the financing statement did not operate to perfect a properly created lien.

114. Respondent did not identify any specific collateral for the first [redacted] loan. Respondent did not track or inspect any of the purported collateral for the first [redacted] loan.

115. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted]'s financial condition did not support the first [redacted] loan.

116. By reason of his misconduct as alleged herein, Respondent made the first [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted]'s capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because he lacked adequate financial and collateral support.

117. Respondent knew or should have known that if Bank management discovered that the first [redacted] loan proceeds were used for the benefit of [redacted] in her auto dealership, primarily to purchase inventory and pay down her floor plan note, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the first [redacted] loan.

118. The first [redacted] loan was refinanced by a nominee loan to [redacted] on February 5, 2008.

The Second [redacted] Loan

119. Respondent as Bank branch president caused the Bank to renew the first [redacted] loan with a new loan to [redacted] on February 5, 2008, in the amount of 40,000. Respondent stated on the note that the loan purpose was "Purchase Autos." Respondent stated in other Bank credit file records that the purpose of the credit or use of the proceeds was "Purchase Vehicles for Resale."

120. Notwithstanding Respondent's statements on the note and in the Bank credit file records, the second [redacted] loan's entire purpose was to refinance the first [redacted] loan and pay down [redacted] floor plan note at [redacted].

121. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

122. The second [redacted] loan was a multiple advance, open end line of credit with a $40,000 line limit.

123. The second [redacted] loan's proceeds were distributed by GL ticket and cashier's check, both under Respondent's authorization. The loan's proceeds were initially distributed in the amount of $34,300.00 by GL ticket to help pay off the firs[redacted]e loan. The $85.67 difference between the second[redacted] loan's proceeds and the first [redacted] loan's payoff amount of $34,385.67 was paid by a debit to one of[redacted] [redacted] other deposit accounts.

124. The second and last advance on the second[redacted]e loan consisted of a cashier's check dated February 6, 2008, in the amount of $5,000. The cashier's check was signed by Respondent, identified the remitter as[redacted], and was made payable to [redacted] floor plan lender.

125. On the note, Respondent identified collateral for the secon[redacted]e loan as security agreements dated February 5, 2008 and December 12, 2005.

126. Upon information and belief, Respondent prepared a commercial security agreement dated February 5, 2008, purporting to have[redacted]e pledge various commercial property, including specific property described as "all vehicles now owned and hereafter acquired"; however, the security agreement was not executed by[redacted]. Respondent also did not attempt to perfect this security interest by filing a UCC financing statement with the Nebraska Secretary of State/UCC Division.

127. The December 12, 2005, security agreement referenced on the second [redacted] loan represents a consumer security agreement covering all of[redacted]s debts and secured by a 1971 American manufactured home[redacted]. Respondent attempted to perfect this security agreement by filing the security agreement as a lien with the Madison County, Nebraska county clerk on February 23, 2006.

128. Upon information and belief, [redacted] personal residence was valued at no more than $15,000.

129. At the time the second [redacted] loan was made [redacted] had a personal loan at the Bank with a principal balance outstanding of $7,895.77.

130. Given the fact that [redacted] had another loan secured by her manufactured home and the February 5, 2008, commercial security agreement was not executed by [redacted], the $40,000 second [redacted] loan was an undersecured loan.

131. Respondent did not identify any specific automobile collateral for the second [redacted] loan. Respondent did not track or inspect any of the purported automobile collateral for the second [redacted] loan.

132. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that [redacted] financial condition did not support the second [redacted] loan.

133. By reason of his misconduct as alleged herein, Respondent made the second [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because she lacked adequate financial and collateral support.

134. Respondent knew or should have known that if Bank management discovered that the second [redacted] loan proceeds were used primarily to refinance a loan made for the benefit of [redacted] in her auto dealership, to purchase inventory and pay down her floor plan note, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the second [redacted] loan.

135. The second [redacted] loan was refinanced by another nominee loan on October 31, 2008.

The Third [redacted] Loan

136. Respondent as Bank branch president caused the Bank to renew the second [redacted] loan with a new loan to [redacted] on October 31, 2008, for $40,041. Respondent stated on the note that the loan purpose was "Help Daughter with House."

137. Notwithstanding Respondent's statements on the note, the third [redacted] loan's entire purpose was to refinance the second [redacted] loan.

138. Respondent's statements regarding the purpose of the loan proceeds were false and were made to conceal the true use and beneficiary of the loan proceeds.

139. The third [redacted] loan was a single advance, single pay note totaling $40,041.

140. The third [redacted] loan's proceeds were distributed by GL ticket, under Respondent's authorization. The loan's proceeds were distributed in the amount of $40,000.00

by GL ticket to help pay off the second [redacted] loan. The $1,929.55 difference between the third [redacted] loan's proceeds and the second [redacted] loan's payoff amount of $41,929.55 was paid by a debit t[redacted]'s business deposit account.

141. On the note, Respondent identified collateral for the thir[redacted] loan as a deed of trust dated October 27, 2008, and security agreement dated December 12, 2005.

142. The December 12, 2005, security agreement referenced on the second [redacted] loan represents a consumer security agreement covering all [redacted]'s debts and secured by a 1971 American manufactured home[redacted]. Respondent attempted to perfect this security agreement by filing the security agreement as a lien with the Madison County, Nebraska county clerk on February 23, 2006.

143. Respondent prepared a future advance deed of trust dated October 27, 2008, granting the Bank a security interest in certain real property commonly known as 510 N. Main Street, Madison, Nebraska 68748 up to $40,000. The deed of trust was filed with the Madison County, Nebraska Register of Deeds office on November 7, 2008.

144. Upon information and belief, the deed of trust and consumer security agreement gave the Bank a perfected security interest i[redacted]'s personal residence—real property to which a manufactured home was affixed[redacted]'s personal residence was valued at no more than $15,000.

145. At the time the third [redacted] loan was made[redacted] had a personal loan at the Bank with a principal balance outstanding of $17,879.19.

146. Given the fact that [redacted] had another loan secured by her manufactured home, the $40,041 third [redacted] loan was an undersecured loan at best, an unsecured loan at worst.

147. Respondent did not attempt to collateralize this loan with any commercial collateral.

148. Respondent did not obtain a financial statement fo[redacted]e. Respondent knew or should have known that [redacted] financial condition did not support the third [redacted] loan.

149. By reason of his misconduct as alleged herein, Respondent made the third [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because she lacked adequate financial and collateral support.

150. Respondent knew or should have known that if Bank management discovered that the third [redacted] loan proceeds were used to refinance a loan made for the sole benefit of [redacted] business, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the third [redacted] loan.

151. The thi[redacted] loan was refinanced by another nominee loan on September 28, 2009.

The Fourth [redacted] e Loan

152. Respondent as Bank branch president caused the Bank to renew the third [redacted] loan with a new loan to [redacted] on September 28, 2009, for $42,500. Respondent stated on the note that the loan purpose was "Renewal [redacted]" No other supporting loan documentation was obtained or prepared by Respondent.

153. The fourth [redacted] loan refinanced a loan that was incorrectly identified as helping [redacted] daughter with her house. In addition, the fourth [redacted] loan disbursed $2,500 in cash to [redacted].

154. Respondent's statements regarding the purpose of the loan proceeds were misleading and were made to conceal the true use and beneficiary of the loan proceeds.

155. The fourth [redacted] loan was a single advance, single pay note totaling $42,500.

156. The fourth [redacted] loan's proceeds were distributed by GL ticket and cashier's check, both under Respondent's authorization. The loan's proceeds were distributed in the amount of $40,000 to help pay off the third [redacted] loan, as well as by cashier's check to [redacted] in the amount of $2,500, with Pinnacle Bank identified as the remitter. The $2,770.69 difference between the fourth [redacted] loan's proceeds of $40,000 for payoff and the third [redacted] loan's payoff amount of $42,770.69 was paid by a debit to [redacted] business deposit account.

157. On the note, Respondent identified collateral for the fourth [redacted] loan as a security agreement dated September 28, 2009, deed of trust dated October 27, 2008, and a security agreement dated December 12, 2005.

158. Respondent prepared a commercial security agreement dated September 28, 2009, purporting to have [redacted] pledge various commercial property, including specific property described as "all vehicles now owned or hereafter acquired." However, while the security agreement appears to have been executed by [redacted], it did not identify the debts the security agreement collateralized. Respondent did not attempt to perfect the Bank's security interest in [redacted] commercial assets by filing a UCC financing statement with the Nebraska Secretary of State/UCC Division.

159. The December 12, 2005, security agreement referenced on the second [redacted] loan represents a consumer security agreement covering all of [redacted]'s debts and secured by a 1971 American manufactured home [redacted]. Respondent attempted to perfect this security agreement by filing the security agreement as a lien with the Madison County, Nebraska county clerk on February 23, 2006.

160. Respondent prepared a future advance deed of trust dated October 27, 2008, granting the Bank a security interest in certain real property commonly known as 510 N. Main Street, Madison, Nebraska 68748 up to $40,000. The deed of trust was filed with the Madison County, Nebraska Register of Deeds office on November 7, 2008.

161. Upon information and belief, the deed of trust and consumer security agreement gave the Bank a perfected security interest in [redacted]'s personal residence—real property to which a manufactured home was affixed. [redacted]'s personal residence was valued at no more than $15,000.

162. At the time the fourth [redacted] loan was made, [redacted] had a personal loan at the Bank with a principal balance outstanding of $12,486.62.

163. Given the fact th[redacted] had another loan secured by her manufactured home, the $42,500 fourth[redacted] loan was an undersecured loan at best, an unsecured loan at worst.

164. Respondent did not obtain a financial statement for [redacted]. Respondent knew or should have known that[redacted] financial condition did not support the fourth [redacted] loan.

165. By reason of his misconduct as alleged herein, Respondent made the fourth [redacted] loan:

(a) although he knew or should have known that his statement of the loan purpose was false;

(b) in a manner that would conceal the purposes for which the proceeds would be used;

(c) without adequate consideration of the repayment risk in the loan, including [redacted] capacity to pay; and

(d) although he knew or should have known that there was a significant risk that [redacted] would not repay the loan because she lacked adequate financial and collateral support.

166. Respondent knew or should have known that if Bank management discovered that the fourth [redacted] loan proceeds were used primarily to refinance a loan made for the benefit of [redacted] business, it could have denied the loan. Accordingly, to avoid denial of the loan, Respondent attempted to conceal the true purpose and the extent of the credit risk in the fourth [redacted] loan.

167. By reason of Respondent's misconduct regarding all fo[redacted]te loans, the Bank incurred loss. The fourth[redacted]e loan was charged off in three increments: $20,000 on July 30, 2010, $17,000 on August 30, 2010, and $4,700 on September 23, 2011.

168. By reason of his misconduct regarding th[redacted]te loans, Respondent:

(a) engaged in unsafe and unsound banking practices;

(b) breached his fiduciary duties to the Bank;

(c) caused loss to the Bank totaling $41,700;

(d) prejudiced the interests of the Bank's depositors;

(e) demonstrated his willful disregard for the Bank's safety and soundness;

(f) demonstrated his continuing disregard for the Bank's safety and soundness; and,

(g) exhibited his personal dishonesty.

Unfunded Cashier's Checks

169. While he was the Bank's Madison branch president, Respondent caused the Bank to issue 77 cashier's checks to or on[redacted]; behalf, from January 1, 2008, to April 1, 2010.

170. All but eight of the cashier's checks were issued with uncollected funds via [redacted] chronically overdrawn business checking account.

171. Respondent often held the cashier's checks from posting [redacted]'s business account for up to seven days, which caused the Bank's GL accounts to go out of balance and would disguise that the cashier's checks were issued without sufficient funds to purchase them.

172. Of the eight checks that were funded with collected funds, six of them were delayed for a sufficient number of days to allow [redacted]'s business account to become positive before the cashier's check posted to the account, creating an artificial float.

173. Respondent's cashier's check practices created a form of unsecured, short-term lending to [redacted] disguised from Bank senior management.

174. Respondent knew or should have known that issuing unfunded cashier's checks violates the Bank's internal policies.

175. By reason of Respondent's misconduct regarding issuing the unfunded cashier's checks, the Bank incurred loss. The Bank charged of[redacted]'s business checking account in the amount of $10,476.88 on June 17, 2010.

176. By reason of his misconduct regarding the unfunded cashier's checks, Respondent:

(a) engaged in unsafe and unsound banking practices;

(b) breached his fiduciary duties to the Bank;

(c) caused loss to the Bank totaling $10,476.88;

(d) prejudiced the interests of the Bank's depositors;

(e) demonstrated his willful disregard for the Bank's safety and soundness;

(f) demonstrated his continuing disregard for the Bank's safety and soundness; and,

(g) exhibited his personal dishonesty.

The [redacted] Loan

177. While he was the Bank's Madison branch president, Respondent caused the Bank to make a loan to [redacted], dated December 27, 2007, in the amount of $60,000 (hereafter referred to as the "[redacted] loan").

178. The [redacted] loan was funded to finance the purchase of real property commonly known as [redacted] (the "Property").

179. Prior to the [redacted] loan, [redacted] and [redacted] (parents of [redacted] and [redacted] owned the Property and had financed the Property with The Bank of Madison, now known as Frontier Bank ("BOM"). BOM foreclosed on the Property in September 2007.

180. On September 21, 2007, BOM obtained an opinion of fair market value for the Property of between $40,000 and $50,000 from a licensed real estate broker and appraiser in Madison, Nebraska.

181. In an effort to reduce her debt balance, [redacted] found an interested buyer in the Property after foreclosure and negotiated the sale of the Property.

182. On November 30, 2007, BOM and [redacted], also known as [redacted] signed a purchase agreement for the Property in the amount of $40,000.

183. On December 4, 2007, the Bank obtained a real estate appraisal on the Property that appraised the Property at $81,000. The appraisal identified the owner of the Property as BOM by virtue of foreclosure in September 2007, but disclosed the purchase agreement as by and between [redacted] and [redacted] and [redacted], dated December 2007, in the amount of $60,000.

184. Upon information and belief, when [redacted] was unable to qualify for the purchase loan at the Bank, his son [redacted] became the purchaser of the Property.

185. All title commitments the Bank received on the Property identified the BOM as the Property's owner of record prior to the [redacted].

186. On December 24, 2007, the Bank received a fax of the buyer's settlement statement from the settlement agent identifying the Property's purchase price as $40,000.

187. Except for $698.50 in fees, the [redacted] loan's proceeds were distributed by cashier's checks—$38,918.53 to a trust account for the purchase of the Property, $317.97 to [redacted], $65.00 to the title company, and $20,000 to [redacted] and Pinnacle Bank."

188. The $20,000 cashier's check [redacted] and Pinnacle Bank operated to clear two of [redacted]'s overdrawn checking accounts, brought current five of her past due loan balances, and brought to within 30 days past due a loan made to an unrelated third-party borrower, all right before the Bank's year-end reporting.

189. [redacted] no benefit for the $20,000 check written to the former owner of the Property.

190. Respondent knew or should have known when he made t[redacted] loan that—

(a) BOM owned the Property being purchased b[redacted];

(b) [redacted] and [redacted] no longer owned the Property;

(c) the Property's purchase price was $40,000; and

(d) any excess proceeds of the [redacted] loan over the purchase price belonged to [redacted].

191. Respondent's actions in disbursing $20,000 [redacted] loan proceeds [redacted] constituted a conversion of funds belonging t[redacted] BOM. Such conversion was done to conceal [redacted]'s and another borrower's deteriorating loan portfolios.

192. By reason of his misconduct regarding the [redacted] loan, Respondent:

(a) engaged in unsafe and unsound banking practices;

(b) breached his fiduciary duties to the Bank;

(c) will probably suffer financial loss or other damage;

(d) prejudiced the interests of the Bank's depositors;

(e) demonstrated his willful disregard for the Bank's safety and soundness;

(f) demonstrated his continuing disregard for the Bank's safety and soundness; and,

(g) exhibited his personal dishonesty.

NOTICE OF INTENTION TO REMOVE FROM OFFICE AND TO PROHIBIT FROM FURTHER PARTICIPATON

193. All preceding paragraphs are re-alleged and incorporated herein by reference.

194. By reason of Respondent's acts, omissions, and practices, Respondent has, directly or indirectly, engaged in unsafe or unsound practices and breached his fiduciary duties to the Bank.

195. By reason of Respondent's unsafe or unsound practices and breaches of fiduciary duties, the Bank has suffered more than a minimal financial loss and the interests of the Bank's depositors have been or could be prejudiced.

196. Respondent's unsafe or unsound practices and breaches of fiduciary duties involved personal dishonesty and demonstrated a willful and continuing disregard for the safety and soundness of the Bank.

NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY

197. All preceding paragraphs are re-alleged and incorporated herein by reference and constitute FINDINGS OF FACT AND CONCLUSIONS OF LAW for the purposes of this NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY.

198. Respondent's acts, omissions, and practices constitute reckless unsafe or unsound practices in conducting the affairs of the Bank and breaches of his fiduciary duties to the Bank.

199. Respondent's unsafe or unsound practices and breaches of fiduciary duties were part of a pattern of misconduct by Respondent and caused, or were likely to cause, more than a minimal loss to the Bank.

200. As a result of the practices and breaches as specified above, the Bank has suffered or will probably suffer financial loss or other damage.

201. The acts, omissions, and/or practices of Respondent as set forth in the paragraphs above demonstrate a willful or continuing disregard for the safety and soundness of the Bank and/or evidence of Respondent's personal dishonesty.

ORDER TO PAY

By reason of Respondent's reckless unsafe or unsound practices and breaches of fiduciary duties set forth in the above NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, the FDIC has concluded that a civil money penalty should be assessed against Respondent pursuant to section 8(i)(2)(B) of the Act, 12 U.S.C. § 1818(i)(2)(B).

After taking into account the appropriateness of the penalty with respect to the size of the financial resources and good faith of Respondent; the gravity of Respondent's unsafe or unsound practices and breaches of fiduciary duties; Respondent's history of previous violations, unsafe or unsound practices, or breaches of fiduciary duties, if any; and such other matters as justice requires, it is:

ORDERED, that by reason of Respondent's unsafe or unsound practices and breaches of fiduciary duties, a civil money penalty in the amount of $75,000 be, and hereby is, assessed against Respondent.

IT IS FURTHER ORDERED that the effective date of this ORDER TO PAY be, and hereby is, stayed until 20 days after the date of receipt of the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY by Respondent, during which time Respondent may file an answer and request a hearing pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19.

NOTICE OF HEARING

Notice is hereby given that a hearing shall commence sixty (60) days from the date of service of this NOTICE OF INTENTION TO REMOVE FROM OFFICE AND PROHIBIT FROM FURTHER PARTICIPATION upon Respondent, or on such other date as may be set by the Administrative Law Judge assigned to hear this matter, at Omaha, Nebraska, or at such other place as the parties to this proceeding and the Administrative Law Judge may agree, for the purpose of taking evidence on the charges herein specified, in order to determine whether an order should be issued to remove Respondent from his office at The Tilden Bank and prohibit him from further participation in the conduct of the affairs of The Bank, the Bank, and any other insured depository institution or organization enumerated in section 8(e)(7)(A) of the Act, 12 U.S.C. § 1818(e)(7)(A), without the prior written consent of the FDIC and the "appropriate Federal financial institutions regulatory agency," as that term is defined in section 8(e)(7)(D) of the Act, 12 U.S.C. § 1818(e)(7)(D).

With respect to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, Respondent must specifically request a hearing within 20 days of the service of the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY on him, pursuant to section 8(i)(2)(H) of the Act, 12 U.S.C. § 1818(i)(2)(H), and section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19. If Respondent fails to file a request for a hearing within 20 days of the service of the NOTICE OF

ASSESSMENT OF CIVIL MONEY PENALTY on him, the penalty assessed against him pursuant to the ORDER TO PAY will be final and unappealable and shall be paid within 60 days after the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY is served on him. If Respondent timely requests a hearing with respect to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, it shall be held at the same time and in the same place as the hearing with respect to the NOTICE OF INTENTION TO REMOVE FROM OFFICE AND PROHIBIT FROM FURTHER PARTICIPATION.

The hearing will be public, and in all respects conducted in accordance with the provisions of the Act, 12 U.S.C. §§ 1811-1835a; the Administrative Procedure Act, 5 U.S.C. §§ 551-559; and the FDIC Rules, 12 C.F.R. Part 308. The hearing will be held before an Administrative Law Judge to be appointed by the Office of Financial Institution Adjudication ("OFIA"), pursuant to 5 U.S.C. § 3105. The exact time and precise location of the hearing will be determined by the Administrative Law Judge.

Respondent is hereby directed to file an answer to the NOTICE OF INTENTION TO REMOVE FROM OFFICE AND TO PROHIBIT FROM FURTHER PARTICIPATION within twenty (20) days from the date of service and, if Respondent desires a hearing with respect to the NOTICE OF ASSESSMENT OF CIVIL MONEY PENALTY, to file an answer and request for hearing with respect thereto within twenty (20) days, as provided by section 308.19 of the FDIC Rules, 12 C.F.R. § 308.19. All documents required to be filed, excluding documents produced in response to a discovery request pursuant to 12 C.F.R. §§ 308.25 and 308.26 of the FDIC Rules, shall be filed electronically with OFIA, 3501 N. Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500, via electronic mail at ofia@fdic.gov, and shall be served upon opposing counsel in accordance with section § 308.11 of the FDIC Rules, 12 C.F.R. § 308.11.

The originals of all documents filed electronically with OFIA shall be served upon Robert Feldman, Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W. (F-1058), Washington, D.C. 20429-9990; and copies served upon A. T. Dill III, Assistant General Counsel, Supervision Branch, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, N.W. (MB-3124), Washington, D.C. 20429-9990; and Arturo A. Vera-Rojas, Regional Counsel (Supervision), Federal Deposit Insurance Corporation, 1100 Walnut, Suite 1200, Kansas City, Missouri 64106.

PRAYER FOR RELIEF

The FDIC prays for relief in the form of the issuance of an ORDER OF REMOVAL AND PROHIBITION pursuant to 12 U.S.C. § 1818(e) against Respondent and an ORDER TO PAY CIVIL MONEY PENALTY pursuant to 12 U.S.C. § 1818(i) in the amount of $75,000 against Respondent.

Pursuant to delegated authority.

Dated at Washington, D.C., this 7th day of December, 2012.

/s/

Lori J. Quigley
Acting Regional Director
Division of Risk Management