

OFFICE OF THRIFT SUPERVISION

Approval of Holding Company Application, Bank Merger Act Applications, and Related Filings

Order No.: 2007-47

Date: October 5, 2007

**OTS Nos.: 08146, H-4442,
H-4443**

Mutual of Omaha Insurance Company (Holding Company), Omaha, Nebraska, and Omaha Financial Holdings, Inc. (Corporation), Omaha, Nebraska (collectively, Applicants) have applied to the Office of Thrift Supervision (OTS) for approval under § 10(e) of the Home Owners' Loan Act (HOLA) and 12 C.F.R. § 574.3 to acquire Security Federal Savings (Savings Bank), Lincoln, Nebraska. The Applicants have requested approval under 12 C.F.R. §§ 545.93 and 545.95 to move the Savings Bank's home office from Lincoln, Nebraska, to Omaha, Nebraska. In addition, the Savings Bank seeks approval under § 18(c) of the Federal Deposit Insurance Act (BMA), and 12 C.F.R. § 563.22 to acquire Peak National Bank, (Peak), Nederland, Colorado, and Nebraska State Bank of Omaha (NSB), Omaha, Nebraska in merger transactions. (Collectively, the foregoing are referred to herein as the Applications.)

Background

The Holding Company is a mutual insurance company that owns 100 percent of the Corporation's common stock. The Corporation is a shell holding company which will hold the stock of the Savings Bank.

The Savings Bank is a Deposit Insurance Fund (DIF)-insured, federally chartered stock savings bank. The Savings Bank is considered "well-capitalized" pursuant to the OTS Prompt Corrective Action (PCA) regulation. Peak is a DIF-insured, national bank. NSB is a DIF-insured, Nebraska-chartered commercial bank. Peak and NSB are considered "well-capitalized" under their respective federal regulator's Prompt Corrective Action (PCA) regulations.

The Proposed Transaction

The Applicants propose to acquire all of the outstanding stock of the Savings Bank for cash. Subsequently, the Holding Company will acquire, for cash, all of the outstanding stock of Peak and NSB from their respective holding companies, and merge Peak and NSB into the Savings Bank, with the Savings Bank as the surviving entity. The Applicants propose to move the Savings Bank's home office to Omaha, Nebraska.

Holding Company Application

Section 10(e)(1)(B) of the HOLA and the Acquisition of Control Regulations thereunder provide that OTS must approve a proposed acquisition of a savings association by a company, other than a savings and loan holding company, unless OTS finds that the financial and managerial resources and future prospects of the company and association involved would be detrimental to the association or the insurance risk of the DIF. OTS must also consider the impact of the acquisition on competition. Finally, OTS must take into account assessments under the Community Reinvestment Act (CRA) when considering holding company applications.

With respect to managerial resources, OTS has reviewed the background of each of the Applicants' directors and senior executive officers, and the persons who have been proposed as directors and officers of the Savings Bank. OTS has found no material adverse information regarding any of these persons. OTS has determined that the proposed directors have the requisite business experience and sophistication to operate the Savings Bank in a safe and sound manner.

OTS has also reviewed the background of the Holding Company, and its review did not reveal any material violations of laws or regulations. Based on its review, OTS concludes that the managerial resources of the Applicants and the Savings Bank are consistent with approval.

With regard to financial resources, OTS has reviewed the Applicants' financial position and concludes that the Applicants have demonstrated adequate financial resources. The Applications indicate that the Savings Bank will meet all of its capital requirements and will be "well-capitalized" under the OTS PCA regulation throughout the next three years. Based on the foregoing, OTS concludes that the financial resources of the Applicants and the Savings Bank are consistent with approval of the holding company application.

With regard to future prospects, OTS has considered the financial and managerial resources of the Savings Bank and Applicants, and has considered the Savings Bank's business plan. OTS is imposing conditions seven through eleven below to ensure that the Savings Bank is operated by competent personnel, that transactions with the Savings Bank's affiliates are appropriate, and that the Savings Bank follows its business plan and that changes to that plan are appropriate. These conditions are intended to ensure that the future prospects of the Applicants and the Savings Bank, and the insurance risks to the DIF, are consistent with approval. Based on the factors considered above and in the discussions regarding managerial and financial resources, OTS concludes that the future prospects of the Applicants and the Savings Bank, and the risks to the DIF, are consistent with approval.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

With respect to the Applicants' performance under the CRA, the Applicants have not controlled any entities that have been subject to the CRA. At the Savings Bank's last CRA examination it received a CRA rating of "Satisfactory." OTS did not receive any comments on the holding company applications. Accordingly, OTS concludes that the holding company application meets the CRA criterion for approval.

Home Office Relocation

The Applicants have applied under 12 C.F.R. §§ 545.93 and 545.95 to move the Savings Bank's home office from Lincoln, Nebraska to Omaha, Nebraska. Section 545.95(b) provides that OTS will approve an application to relocate a federal savings association's home office if the savings association: (i) has overall policies, condition, and operations that afford no basis for supervisory objection; (ii) meets or exceeds its minimum capital requirements; and (iii) demonstrates a record of helping to meet the credit needs of the entire community it serves, including low- and moderate-income neighborhoods.

The Savings Bank is currently "well-capitalized." The Savings Bank received a rating of "Satisfactory" in its most recent CRA examination. All of the existing CRA assessment areas will be continued in the resulting Savings Bank. OTS believes the new CRA Plan following the proposed acquisition of all three financial institutions by the Holding Company will enhance the Savings Bank's ability to meet the credit needs of the communities it serves. OTS has no supervisory objection to Savings Bank's proposed policies, condition, and operations following the proposed home office relocation to Omaha, Nebraska. Accordingly, the Savings Bank's proposed home office relocation meets the standards for approval.

BMA Applications

In evaluating a BMA application, OTS is required to consider the effect of the transaction on the capital of the resulting association; the financial and managerial resources and future prospects of the constituent institutions; the effect of the transaction on competition; the convenience and needs of the community; conformance to applicable law, regulation, and supervisory policy; and factors relating to fairness of and disclosure concerning the transaction.¹ Also, the BMA requires the responsible agency to take into consideration, in its evaluation of the application, the effectiveness of any insured depository institution in combating money-laundering activities.² Under 12 C.F.R. § 563e.29, OTS must consider the constituent institutions' record of performance under the CRA.

OTS has reviewed the BMA application under these standards and has concluded that the BMA applications satisfy the standards, subject to the conditions imposed below.

With respect to capital, the Savings Bank, Peak and NSB are all "well-capitalized," and the Savings Bank will remain "well-capitalized" after the mergers. Accordingly, we conclude this approval standard is satisfied.

¹ 12 U.S.C. § 1828(c)(5)(B); 12 C.F.R. § 563.22(d) (2007).

² 12 U.S.C. § 1828(c)(11).

With respect to managerial resources, for the reasons discussed above, OTS has reviewed the backgrounds of the proposed directors and senior officers of the Savings Bank, and concludes that managerial resources considerations are consistent with approval.

With respect to financial resources, the Savings Bank will be “well-capitalized” upon being acquired by the Holding Company. Both Peak and NSB are “well-capitalized.” The Savings Bank is projected to be profitable and “well-capitalized” after the mergers. Based on the foregoing, we conclude that financial resources considerations are consistent with approval.

With respect to future prospects, OTS has concluded that managerial and financial resources considerations are consistent with approval. OTS has reviewed the Savings Bank’s business plan, and has no objection to the proposed business plan. To help ensure the future prospects of the Savings Bank are consistent with approval, OTS is imposing the conditions discussed above. Based on the foregoing, we conclude the future prospects considerations are consistent with approval.

With respect to competitive factors, none of the three financial institutions have branches in the same market. The Department of Justice has provided its clearance of the proposed transactions. Accordingly, we conclude that competitive considerations are consistent with approval.

With respect to the convenience and needs of the community, the Savings Bank will continue its current operations, as well as Peak’s and NSB’s existing operations. Further, the BMA application indicates that there are no anticipated significant changes in, or discontinuation of, any services or products as a result of the mergers, and the Savings Bank does not propose to close any of Peak’s or NSB’s offices. Accordingly, we conclude the convenience and needs standard has been met.

With regard to the conformity with law, fairness and disclosure, compensation to management and advisory boards, we are aware of no basis to conclude that the proposed mergers will not conform to all applicable laws, or that the mergers are not fair to all parties or that there has been a failure to disclose issues related to the mergers. Furthermore, the proposed transactions do not raise issues regarding management compensation or advisory boards.

OTS has also reviewed the constituent institutions’ records of compliance with anti-money laundering statutes and regulations and concludes that approval of the proposed mergers is consistent with the anti-money laundering criterion.

With respect to CRA, all of the depository institutions involved in the proposed mergers have “Satisfactory” CRA ratings. OTS has not received any comments objecting to the proposed mergers. Accordingly, OTS concludes that CRA considerations are consistent with approval.

Charter and Bylaw Amendments

The Savings Bank has filed an application to amend and restate its charter to change its name and location, and amend its bylaws to increase the number of directors serving on its board. These changes are consistent with amendments permitted by §§ 552.4 and 552.5.

Conclusion

Based on the foregoing, OTS concludes that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee (Regional Director). Accordingly, the Applications are hereby approved, subject to the following conditions:

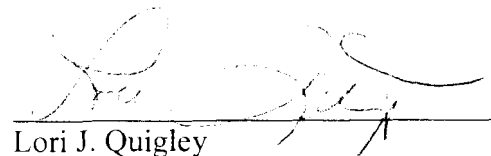
1. The Applicants, the Savings Bank, Peak and NSB must receive all required regulatory and shareholder approvals for the proposed transaction and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The Applicants' acquisition of the Savings Bank must be consummated within 120 calendar days from the date of this Order;
3. The Savings Bank's acquisition of Peak and NSB must be consummated no earlier than 15 calendar days, and no later than 120 calendar days, from the date of this Order;
4. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Holding Company, the Corporation, the Savings Bank, Peak and NSB must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Holding Company, the Corporation, the Savings Bank, Peak and NSB as disclosed in the Applications. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Holding Company, the Corporation, the Savings Bank, Peak, NSB or OTS, since the date of the financial statements submitted with the Applications, the transactions must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
5. The Applicants and the Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications, and this Order;
6. No later than 30 calendar days after the merger of Peak into the Savings Bank, and no later than 30 calendar days after the merger of NSB into the Savings Bank, the

Savings Bank must advise each accountholder whose withdrawable accounts in the Savings Bank would increase above \$100,000 as a result of the transaction, or whose uninsured balance would increase as a result of the merger, of the effect of the days prior to execution and shall receive the Regional Director's written non-objection prior to implementation;

8. For two years following the date of consummation of the transaction, the Savings Bank must receive the prior written non-objection of the Regional Director for any proposed new directors or senior executive officers or any significant changes in responsibilities of any senior executive officer;
9. The Savings Bank must operate within the parameters of the three-year business plan, and must submit any proposed major deviations or material changes from the plan (including those initiated by the Applicants) for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date;
10. For three years following the date of consummation, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any material deviations; and
11. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Applicants or their affiliates and who have not otherwise been determined by the Regional Director to lack sufficient independence; and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Applicants or their affiliates and who is not an officer or employee of the Savings Bank, and has not otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of any audit committee established by the Savings Bank must be directors who are not officers or employees of the Savings Bank, the Applicants or their affiliates and have not otherwise been determined by the Regional Director to lack sufficient independence.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective October 5, 2007.



Lori J. Quigley
Managing Director
Examinations and Supervision -
Operations