

AGREEMENT BY AND BETWEEN
Lee County Bank & Trust, National Association
Fort Madison, Iowa
and
The Comptroller of the Currency

Lee County Bank & Trust, National Association, Fort Madison, Iowa (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has determined that the Bank has engaged in unsafe and unsound banking practices relating to its Board and management oversight and credit risk management and administration.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

Jurisdiction

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall not be construed to require the Bank “to meet and maintain a specific capital level” within the meaning of 12 C.F.R. § 6.4.

Article II

Compliance Committee

(1) Within five (5) days of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) directors, none of which shall be employees of the Bank. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) By no later than March 31, 2012, and by the end of every calendar month thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
- (b) actions taken to comply with each Article of this Agreement; and
- (c) the results and status of those actions.

(4) The Board shall provide a summary report of the progress reached in attaining compliance with each Article of this Agreement to the Assistant Deputy Comptroller within fifteen (15) days of the end of each calendar quarter.

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller
Comptroller of the Currency
Des Moines Field Office
5550 Wild Rose Lane, Suite 400
West Des Moines, Iowa 50266

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures, and programs required by this Agreement.

Article III

Capital and Strategic Plan

(1) Effective immediately, the Bank shall only declare dividends when the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(2) Within thirty (30) days of this Agreement, the Board shall revise its strategic and capital plan for the Bank. The revised plan shall cover at least the next three years (hereafter the “Bank’s Three-Year Plan”), complete with specific time frames that incorporate the capital, strategic, and other requirements of this Article. A copy of the Bank’s Three-Year Plan shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(3) The Bank’s Three-Year Plan shall establish objectives and projections for the Bank’s overall risk profile, earnings performance, growth expectations, balance sheet mix, off-

balance-sheet activities, liability structure, capital and liquidity adequacy, product line development, and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives, that are specific, measurable, verifiable, and, at a minimum, address or include:

- (a) specific plans for the maintenance of capital appropriate for the Bank's risk profile;
- (b) a dividend policy that only permits the declaration of a dividend in accordance with Paragraph (1) of this Article;
- (c) growth limitations designed to ensure compliance with this Article and actions to monitor, control and reduce, where appropriate, significant concentrations of credit;
- (d) recognition that the Bank cannot offer or introduce new products or enter new market segments until it adopts an appropriate credit culture, implements sound risk management principles, and returns the Bank's condition to satisfactory;
- (e) projections for capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (f) the primary source(s), especially those that are not credit sensitive, from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (g) contingency plans that identify alternative capital sources should the primary source(s) under subparagraph (f) not be available;

- (h) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the next three years that shall address or include consideration of the requirements of this Article; and
- (i) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(4) Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall immediately implement and thereafter ensure adherence to the Bank's Three-Year Plan.

Article IV

Appraisal and Evaluation Process

(1) Within sixty (60) days of this Agreement, the Board shall revise its written policy to ensure the Bank obtains real estate appraisals and evaluations in compliance with USPAP, 12 C.F.R. Part 34, the Interagency Appraisal and Evaluation Guidelines (December 10, 2010), Advisory Letter 2003-9, and OCC Bulletin 2005-6, to include at a minimum:

- (a) the establishment of criteria for obtaining updated appraisals, new appraisals, and evaluations;
- (b) the development of procedures to ensure that appraisals, updates, and evaluations are the appropriate type and ordered in a timely manner;
- (c) the establishment of a process for tracking when appraisals, updates, and evaluations are received, reviewed and adjustments are made, as appropriate, to reflect Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan); and

- (d) the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals to include analysis commensurate with the type, size, and complexity of the property being appraised.

Article V

Problem Loan Management

(1) Effective as of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) days of this Agreement, the Board shall revise, adopt, implement and thereafter ensure Bank adherence to a written program of policies and procedures designed to reduce the Bank's criticized assets (the "Problem Assets Program"). The Problem Assets Program shall include or address the following matters:

- (a) aggregate reporting of criticized asset levels by type to the Board or a designated committee thereof every month; and
- (b) specific plans for the reduction of criticized assets by asset type with target reductions by month.

(3) The Board's compliance with Paragraph (2) of this Article shall include the development of procedures for the monthly review and preparation of written determinations by the Board or a designated committee thereof regarding the effectiveness of the responsible officer's efforts to eliminate the weaknesses in each criticized credit relationship totaling two hundred and fifty thousand dollars (\$250,000) or more, and that require the preparation of

Problem Asset Reports (“PARs” or “PAR”) that contain, at a minimum, analysis and documentation of the following:

- (a) an identification of the expected sources of repayment and an analysis of their adequacy;
- (b) the value of supporting collateral and the position of the Bank’s lien on such collateral where applicable, as well as other necessary documentation to support the collateral valuation;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations;
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment;
- (e) trigger dates for positive borrower actions or for loan officers to reassess the strategy, enact collection plans, and make appropriate downgrades or place on nonaccrual;
- (f) a determination of whether the loan is impaired and the amount of the impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan); and
- (g) for criticized relationships of two hundred and fifty thousand dollars (\$250,000) or above that were made for the purpose of constructing or developing commercial real estate, the PARs shall also include:
 - (i) the initial scheduled maturity date of the loan, number of extensions and/or renewals, and current maturity date;
 - (ii) project development status;

- (iii) a comparison of development costs to the budgeted amount;
- (iv) a comparison of sales activity to the original sales projections;
- (v) amount of initial interest reserve and the amount of any subsequent additions to the reserve;
- (vi) an assessment of the borrower's global cash flow;
- (vii) an assessment of any guarantor's global cash flow; and
- (viii) any other significant information relating to the project.

(4) A copy of each PAR prepared during the month of each quarter end (e.g., March, June, September, and December), along with any Board comments regarding the effectiveness of the effort to eliminate the weaknesses in each credit, shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days of each calendar quarter end.

(5) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions of credit equal or exceed two hundred and fifty thousand dollars (\$250,000), unless each of the following conditions is met:

- (a) the Board or a designated committee thereof finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending, or capitalizing any additional credit, a majority of the Board or a designated committee thereof approves the credit extension and documents in writing, the reasons that such extension is necessary to promote the best interests of the Bank; and

- (b) the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the extension of credit.

Article VI

Credit Risk Ratings and Troubled Asset Accounting

(1) Effective immediately, the Board shall take the necessary steps to ensure that the risk associated with the Bank's loans is properly reflected and accounted for on the Bank's books and records, to include, at a minimum, the annual review of all credit relationships that equal or exceed two hundred and fifty thousand dollars (\$250,000) by the loan officers or other responsible staff to ensure that:

- (a) the Bank's loans and other assets are appropriately and timely risk rated and charged off using a loan grading system that is based upon current facts, existing repayment terms and that is consistent with the requirements set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*;
- (b) the Bank's loans and other assets are timely placed on nonaccrual in accordance with the instructions for the preparation of Consolidated Reports of Income and Condition (also known as a "Call Report");
- (c) the Bank's loan and other assets are timely designated as troubled debt restructurings in accordance with the instructions for preparation of the Public Reports and consistent with Accounting Standards Codification 310-40 (formerly known as FASB Statement of Financial Accounting Standards No. 15) and Accounting Standards Update 2011-2; and
- (d) the Bank's loans and other assets are timely designated as impaired and impairment timely measured, consistent with Accounting Standards

Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan).

(2) By no later than February 29, 2012, the Board shall prepare a written program designed to ensure that the Bank complies with Paragraph (1) of this Article that contains at a minimum:

- (a) immediate and ongoing training for the lending staff and management with respect to the application of Subparagraphs (a)-(d) of Paragraph (1) of this Article;
- (b) procedures to ensure that loan officers, staff, and management are held accountable for failing to appropriately and timely risk rate, place loans on nonaccrual, and/or designate as troubled debt or impaired, including but not limited to, consideration of loan officer, staff, and management failures in periodic performance reviews and compensation; and
- (c) procedures for the review and approval in advance of any return to accrual status, or risk rating upgrade of any loan, or lending relationship, totaling two hundred fifty thousand dollars (\$250,000) or more, by a majority of the Board of Directors or a designated committee thereof that is supported by written documentation for the basis of the return to accrual status or upgrade that is maintained in the books and records of the Bank.

(3) After the Board has developed the program required by this Article, the Board shall take the necessary steps to ensure the Bank immediately implements and thereafter adheres to it.

Article VII

External Loan Review

(1) Within thirty (30) days of this Agreement, the Board shall employ a qualified, independent consultant or firm to perform semi-annual asset quality reviews of the Bank's loan portfolio, with the first report due no later than April 30, 2012. The scope of the engagement shall include annual coverage of at least seventy-five percent of the Bank's commercial and industrial loans by total dollar and provide for a written report to be filed with the Board using a loan grading system consistent with Generally Accepted Accounting Principles ("GAAP") and the guidelines set forth in Rating Credit Risk, A-RCR, of the *Comptroller's Handbook*. Such reports shall, at a minimum, include the consultant's or firm's comments and conclusions regarding:

- (a) the identification, type, rating, and amount of all criticized loans;
- (b) the identification and amount of delinquent and nonaccrual loans;
- (c) the identification/status of credit-related violations of law or regulation;
- (d) credit underwriting and documentation exceptions;
- (e) credit analysis and documentation of such analysis;
- (f) accuracy of internal risk ratings;
- (g) completeness and effectiveness of problem loan workout plans;
- (h) loans and other extensions of credit considered exceptions to, or not in conformance with, the Bank's lending policies and procedures;
- (i) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (h) of the Article;
- (j) overall credit administration practices;
- (k) concentrations of credit;

- (l) the accuracy of the Bank’s recognition of troubled debt restructurings;
- (m) the adequacy of the Allowance for Loan and Lease Losses;
- (n) an evaluation of the Bank’s efforts to manage and account for its Other Real Estate in accordance with GAAP;
- (o) loans and leases to affiliates, insiders, and related parties; and
- (p) any recommendations for improvements.

(2) Prior to the appointment or employment of any consultant or firm or entering into any contract with any consultant or firm, the Board shall submit the name and qualifications of the proposed consultant or firm and the proposed scope and terms of employment to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. After the Assistant Deputy Comptroller has advised the Bank that she does not take supervisory objection to the consultant or firm, and the scope of the review, the Board shall immediately engage the consultant or firm pursuant to the proposed terms of the engagement.

(3) The Board or a designated committee shall review the independent loan review reports and ensure that, if appropriate, immediate, adequate, and continuing remedial action, is taken upon the findings noted in the reports.

(4) A copy of the loan review report submitted to the Board, as well as a summary of remedial actions taken and, if appropriate, planned, shall be documented and provided to the Assistant Deputy Comptroller within fifteen (15) days of receipt by the Board.

Article VIII

Allowance for Loan and Lease Losses

(1) Effective immediately, the Board shall take the necessary steps to ensure the Bank maintains an appropriate Allowance for Loan and Lease Losses (“Allowance”) in accordance with GAAP. The Allowance policies and procedures shall be consistent with the guidance set

forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006 (OCC Bulletin 2006-47), and July 20, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with Accounting Standards Codification 310-10 (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with Accounting Standards Codification 310-10 and 450-20 (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies); and
- (c) procedures to ensure that the estimation of credit losses considers the relevant qualitative and environmental factors, with particular focus on the following:
 - (i) trends in the Bank's internal risk ratings, and delinquent and nonaccrual loans;
 - (ii) the Bank's historical accuracy of internal risk ratings;
 - (iii) results of the Bank's external loan review;
 - (iv) concentrations of credit in the Bank;
 - (v) present and prospective economic conditions; and
 - (vi) applicable experience of the Bank's lending staff.

(2) The program shall provide for a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the Allowance. Any deficiency in the Allowance shall be remedied in the quarter it is discovered,

prior to the filing of the Call Report, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

Article IX

Contingency Funding Plan

(1) Within sixty (60) days of this Agreement, the Board shall revise, adopt and thereafter ensure adherence to a contingency funding plan that forecasts funding needs and funding sources under a stressed scenario consistent with the requirements of *OCC Bulletin 2010-13: Interagency Policy Statement on Funding and Liquidity Risk Management* and that at a minimum:

- (a) establishes triggers to alert management to potential problems, and assign management responsibilities during stressed liquidity scenarios;
- (b) represents management's best estimate of balance sheet and cash flow changes that may result from a liquidity or credit event;
- (c) identifies, quantifies, establishes, and ranks all sources of funding by preference for the various scenarios including asset side funding, liability side funding and off-balance-sheet funding, and provide management's likely response in each stress scenario;
- (d) ensures that administrative policies and procedures are consistent with the Board's guidance and risk tolerances; and
- (e) provides for Board review and approval as contingencies change, but in no event, less than annually.

Article X

Closing

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow up on any noncompliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any noncompliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has

hereunto set her hand on behalf of the Comptroller.

/s/

February 16, 2012

Patrice M. Persick-Ciurej
Assistant Deputy Comptroller
Des Moines Field Office

Date

IN TESTIMONY WHEREOF, the undersigned, as duly elected and acting Board of

Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/

February 16, 2012

Mike Culbertson

Date

Allen Kloess

Date

/s/

February 16, 2012

Kevin Koellner

Date

/s/

February 16, 2012

Henry Merschman

Date

/s/

February 16, 2012

Joseph Merschman

Date

/s/

February 16, 2012

William Merschman

Date