

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made as of the Effective Date (defined below), by and between **First Savings Bank, F.S.B. (Association)** (OTS No. 08339), a federally chartered stock association, having its main office located in Manhattan, Kansas, and the Office of Thrift Supervision (OTS), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Midwest Regional Director or his designee (Regional Director).

WHEREAS, OTS is the Association's primary federal regulator; and

WHEREAS, based on the Association's Report of Examination, dated April 16, 2001 (ROE), OTS is of the opinion the Association engaged in unsafe and unsound practices under 12 U.S.C. § 1818(b)(8); and

WHEREAS, OTS believes grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, OTS believes it is appropriate to take measures intended to ensure the Association will: (i) comply with all applicable laws and regulations, and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (Board), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with OTS and evidence the intent to: (i) comply with all applicable laws and regulations, and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the parties agree as follows:

CORRECTIVE PROVISIONS

1. Classified Assets

- (a) The Association shall comply with section 560.160 of the OTS Regulations, 12 C.F.R. § 560.160 (regarding asset classification).
- (b) By December 31, 2001, the Association shall submit to the Midwest Regional Director of OTS (Regional Director), for his written non-objection, a plan providing for the removal of the Topeka property from the Association's books and reduction of classified assets to 50% of core capital by March 31, 2002 (Classified Assets Plan).
- (c) Upon receipt of OTS's written notice of non-objection to the Association's

Classified Assets Plan, the Association shall make detailed monthly reports to the OTS Regional Director and to the Regional Director for the Kansas City Regional Federal Deposit Insurance Corporation Office (FDIC Regional Director) (i) describing the actions taken to reduce the risk associated with the problematic hotel-related assets, and (ii) setting forth its progress on the disposition of the problematic hotel-related assets.

- (d) If the Association fails to remove the Topeka property from its books and reduce classified assets to 50% of core capital by March 31, 2002, it must submit a capital plan to the Regional Director, for his written non-objection, by April 30, 2002. The capital plan shall provide for the reduction of classified assets to 50% of core capital by September 30, 2002.

2. **Capital Compliance**

The Association shall maintain capital levels at all times at or above "adequately capitalized" levels, as defined at 12 C.F.R. § 565.4.

3. **Growth Restrictions**

The Association shall not, without the prior written approval of the Regional Director, increase its average assets in any calendar quarter in excess of the amount of the net interest credited on its deposit liabilities during that calendar quarter or \$150,000,000, whichever is greater.

4. **Affiliate Transactions**

The Association shall provide at least 30-days (unless a shorter term is agreed to by the Regional Director) prior notification to the Regional Director before engaging in transactions with any of the Association's affiliates or subsidiaries in accordance with 12 C.F.R. § 563.41(e)(2).

5. **Restrictions on Golden Parachute Payments**

The Association shall not make any "golden parachute payments" (as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359), except as permitted under the applicable statute and regulation.

6. **Regulatory Review of Certain Third-Party Contracts**

The Association shall not enter into any third-party contracts outside of the normal course of business unless it: (i) provides to the Regional Director a minimum of ten (10) calendar days advance, written notice of the proposed transaction, and (ii) receives a written notice of non-objection from the Regional Director.

7. **Restrictions on Adding or Replacing a Board Member, Employing a Senior Executive Officer, or Changing the Responsibilities of a Senior Executive Officer**

The Association shall not add or replace any member of its Board, employ any new senior executive officer or change the responsibilities of any senior executive officer, except in accordance with Subpart H of Part 563 of the OTS Regulations, 12 C.F.R. §§ 563.550 through 563.590, and Section 32 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831i.

8. **Restrictions on Compensation**

- (a) The Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director, senior executive officer of the Association, or any subsidiary thereof, unless it first (i) provides to the Regional Director a minimum of 30 days advance (unless a shorter term is agreed to by the Regional Director), written notice of the proposed transaction, and (ii) receives a written notice of non-objection from the Regional Director.
- (b) The Association shall further not grant to any senior executive officer or any director any bonus or increase in salary or other compensation without the prior written approval of the Regional Director.

9. **Director and Management Responsibility**

Notwithstanding this Agreement's requirements that the Board submit various matters to the Regional Director, regulatory oversight by OTS (including the Regional Director) does not derogate or supplant the continuing fiduciary duty of each member of the Association's Board and management. The Board has the ultimate responsibility for overseeing the Association's safe and sound operation, including compliance with the Regional Director's determinations as required by this Agreement.

10. **Compliance with Agreement**

- (a) The Board and the officers of the Association shall immediately, on the Effective Date, and thereafter, take all necessary and appropriate actions to ensure the Association's full compliance with this Agreement.
- (b) The Board shall undertake diligent inquiries to confirm the Association's compliance with each provision of this Agreement.
- (c) Each calendar quarter, the Board shall adopt a resolution (Compliance

Resolution), following a diligent inquiry of relevant information, attesting to the Association's compliance with this Agreement, or specifying in reasonable detail all violations of the Agreement. If the Board determines the Association was not in full compliance, the Compliance Resolution shall include the reasons for noncompliance. The Compliance Resolution shall further note all notices of exemption or non-objection issued by the OTS Regional Director and the FDIC Regional Director upon which the Board relies in making the Compliance Resolution.

- (d) The Board's minutes shall set forth the following information regarding each Compliance Resolution: (i) the identity of each Director voting in favor of its adoption, and (ii) the identity of each Director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such Director's reasoning for opposing or abstaining.
- (e) The Association shall provide to the OTS Regional Director and the FDIC Regional Director a certified true copy of the Compliance Resolution, for each quarter, no later than the 25th calendar day of the month following the end of each calendar quarter. By virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the OTS Regional Director and the FDIC Regional Director, the Board is deemed to have certified the accuracy of the statements set forth in each Compliance Resolution, except as provided below. If one or more Directors do not agree with the representations in the Compliance Resolution, the Board minutes shall reflect such disagreement.

11. **Definitions**

- (a) All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by this Agreement shall have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in the Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings in accordance with the best custom and usage in the savings and loan industry.
- (b) The term "Effective Date" is the date of the Regional Director's execution of this Agreement, as reflected by the date under the designated signature line.

12. **Successor Statutes, Regulations, Guidance, Amendments**

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall include references to all amendments to such provisions as of the Effective Date and references to successor provisions as they become applicable.

13. Notices

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with OTS, the Federal Deposit Insurance Corporation, or the Association shall be in writing and mailed, first class or overnight courier, or submitted by means of electronic transmission, or physically delivered, and addressed as follows:

OTS: OTS Midwest Regional Office
225 E. John Carpenter Fwy.
Suite 500
Irving, TX 75062-2326
(972) 277-9501 - Main Facsimile

Association: Board of Directors
First Savings Bank, F.S.B.
701 Poyntz Avenue
Manhattan, Kansas 66502

FDIC: Regional Director, Kansas City Regional Office
Federal Deposit Insurance Corporation
2345 Grand Boulevard, Suite 1200
Kansas City, Missouri 64108-2638

14. Miscellaneous

- (a) Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.
- (b) The Section headings herein are for convenience only and shall not affect the construction hereof.
- (c) If any court of competent jurisdiction rules any provision in this Agreement to be invalid, illegal or unenforceable, that decision shall not affect or impair the validity, legality and enforceability of the remaining provisions, unless the Regional Director in his sole discretion determines otherwise.

15. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Agreement: (a) allows the Association to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricts OTS from taking such action(s) that are appropriate in fulfilling its responsibilities, including, without limitation, any type of supervisory, enforcement or resolution action that OTS determines to be appropriate.

16. **Successors in Interest/Benefit**

This Agreement's terms and provisions bind, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

17. **Integration Clause**

This Agreement represents the parties' final and sole written agreement with respect to the subject matter hereof, as of the Effective Date.

18. **Enforceability of Agreement**

- (a) The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.
- (b) Each director signing this Agreement attests by such act that he or she voted in favor of the Board resolution (copy attached) authorizing the Association's execution of this Agreement.

19. **Duration, Termination or Suspension of Agreement**

- (a) This Agreement shall: (i) become effective upon its execution by OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
- (b) The Regional Director, in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

IN WITNESS WHEREOF, OTS, acting by and through the Regional Director, and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION**FIRST SAVINGS BANK, F.S.B.**
Manhattan, Kansas

By:

/S/

Frederick R. Casteel
Midwest Regional Director

By:

/S/

Larry R. Heyka
Chief Executive Officer
President and DirectorEffective Date: 12-4-01Date: 11-29-2001**DIRECTORS OF THE ASSOCIATION**

/S/

Gerald R. Sprong, Chairman of the Board

/S/

David J. Fiser, Director

/S/

Charles H. Hostetler, Director_____
Arthur F. Loub, Director

/S/

Richard H. Seaton, Director

/S/

Thomas M. Carlin, Director

/S/

Barry L. Flinchbaugh, Director

/S/

Cynthia L. Hostetler, Director_____
Doris J. Miller, Director

/S/

Paul Van Nostran, Director

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IN WITNESS WHEREOF, OTS, acting by and through the Regional Director, and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

FIRST SAVINGS BANK, F.S.B.
Manhattan, Kansas

By:

By:

Frederick R. Casteel
Midwest Regional Director_____
Larry R. Heyka
Chief Executive Officer
President and Director

Effective Date: _____

Date: _____

DIRECTORS OF THE ASSOCIATION_____
Gerald R. Sprong, Chairman of the Board_____
Thomas M. Carlin, Director_____
David J. Fiser, Director_____
Barry L. Flinchbaugh, Director_____
Charles H. Hostetler, Director_____
Cynthia L. Hostetler, Director

/S/

Arthur F. Loub, Director_____
Doris J. Miller, Director_____
Richard H. Seaton, Director_____
Paul Van Nostran, Director

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IN WITNESS WHEREOF, OTS, acting by and through the Regional Director, and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

FIRST SAVINGS BANK, F.S.B.
Manhattan, Kansas

By:

By:

Frederick R. Casteel
Midwest Regional Director

Larry R. Heyka
Chief Executive Officer
President and Director

Effective Date: _____

Date: _____

DIRECTORS OF THE ASSOCIATION

Gerald R. Sprong, Chairman of the Board

Thomas M. Carlin, Director

David J. Fixer, Director

Berry L. Flinchbaugh, Director

Charles H. Hostetler, Director

/S/
Cynthia L. Hostetler, Director

Arthur F. Loub, Director

Doris J. Miller, Director

Richard H. Seaton, Director

Paul Van Nostran, Director

First Savings Bank, F.S.B.
Manhattan, Kansas
Supervisory Agreement

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IN WITNESS WHEREOF, OTS, acting by and through the Regional Director, and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION**FIRST SAVINGS BANK, F.S.B.**
Manhattan, Kansas

By:

By:

Frederick R. Casteel
Midwest Regional Director_____
Larry R. Heyka
Chief Executive Officer
President and Director

Effective Date: _____

Date: _____

DIRECTORS OF THE ASSOCIATION_____
Gerald R. Sprong, Chairman of the Board_____
Thomas M. Carlin, Director_____
David J. Fiser, Director_____
Barry L. Flinchbaugh, Director_____
Charles H. Hostetler, Director_____
Cynthia L. Hostetler, Director_____
Arthur F. Loub, Director_____
Doris J. Miller, Director_____
Richard H. Seaton, Director_____
Paul Van Nostran, Director

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly appointed and qualified Secretary of **First Savings Bank, F.S.B., Manhattan, Kansas** (Association), hereby certify as follows:

1. A duly called meeting of the Association's Board of Directors was held on November 29, 2001;
2. A quorum was present and voting throughout that meeting;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Association's Board of Directors wishes to cooperate with OTS and demonstrate that the Association and the Association's Board have the intent to: (1) comply with all applicable laws and regulations, and (2) engage in safe and sound practices; and

WHEREAS, the Association's Directors have read and considered the proposed Supervisory Agreement (Agreement) which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Association's Directors have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the Agreement's provisions be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Association's Directors and Officers are authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the Agreement's terms and to cause the Association to comply in all respects with the Agreement's terms.

4. All members of the Board of Directors were present and voted at the meeting (except * * * * *) and all members of the Board of Directors (except * * * * *) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the Association's seal on this 29th day of November, 2001.

/S/

Name: David W. Kreller
Secretary, First Savings Bank, F.S.B.
Manhattan, Kansas

