

## SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 24<sup>th</sup> day of June, 2005 (Effective Date), by and between **Love Savings Holding Company** (Holding Company), (OTS Docket No. H-0914), a savings and loan holding company, having its main office located in St. Louis, Missouri, 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 primary federal regulator of the Holding Company, which wholly owns Heartland Bank, St. Louis, Missouri (Heartland Bank or Institution) (OTS Docket No. 02165); and

**WHEREAS**, based on the Holding Company's Report of Examination, dated June 27, 2003 (ROE), OTS is of the opinion that the Holding Company engaged in acts and practices considered to be unsafe or unsound; and

**WHEREAS**, OTS continues to believe that grounds exist for the initiation of administrative proceedings against the Holding Company, pursuant to 12 U.S.C. §§ 1818 and 1467a(g); and

**WHEREAS**, the Holding Company entered into a Supervisory Agreement with OTS, effective March 26, 2004, to address these unsafe and unsound practices noted in the ROE and to demonstrate its intent to engage in safe and sound practices; and

**WHEREAS**, the Holding Company has requested modifications to the March 26, 2004 Supervisory Agreement; and

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

**WHEREAS**, the Holding Company, 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 and the mutual undertakings set forth herein, the parties agree as follows:

1. **Capital Distribution**

- A. The Holding Company shall not declare or pay any capital distributions to the owners of its shares unless (1) the Holding Company has capital in an amount of

at least seven (7) percent of consolidated assets, as determined in accordance with Paragraph 8.B hereof, (2) Heartland Bank is well capitalized; (3) the Holding Company would have capital in an amount of at least seven (7) percent of consolidated assets, as determined in accordance with Paragraph 8.B hereof, after payment of the capital distribution; (4) the Holding Company is in compliance with this Supervisory Agreement; and (5) OTS has not directed, in writing, the Holding Company not to declare or pay any capital distributions without OTS's prior written approval. The term "shares" is defined in 12 C.F.R. § 563.142.

- B. Any subsidiary thrift holding company of the Holding Company shall not declare or pay any capital distributions to the owners of its shares unless (1) the Holding Company has capital in an amount of at least seven (7) percent of consolidated assets, as determined in accordance with Paragraph 8.B; (2) Heartland Bank is well capitalized; (3) the Holding Company would have capital in an amount of at least seven (7) percent of consolidated assets, as determined in accordance with Paragraph 8.B after payment of the capital distribution; (4) the Holding Company and the subsidiary thrift holding company are in compliance with this Supervisory Agreement; and (5) OTS has not directed, in writing, the Holding Company or the subsidiary thrift holding company not to declare or pay capital distributions without OTS's prior written approval. The term "shares" is defined in 12 C.F.R. § 563.142.
- C. Neither the Holding Company nor any subsidiary thereof shall cause Heartland Bank to pay capital distributions or receive any capital distributions from Heartland unless (1) the Holding Company has capital in an amount of at least seven (7) percent of consolidated assets as determined in accordance with Paragraph 8.B before and after payment of the capital distribution; (2) Heartland Bank is well capitalized and would be well capitalized after payment of the capital distribution; (3) OTS has not directed, in writing, the Holding Company, subsidiary holding company, or Heartland Bank not to declare or pay capital distributions without OTS's prior written approval; (4) the Holding Company and other subsidiary thrift holding companies are in compliance with this Supervisory Agreement; and (5) Heartland Bank is in full compliance with 12 U.S.C. § 1467a(f) and 12 C.F.R. § 563.146.

2. **Corporate Governance**

- A. The Holding Company shall fully comply with its articles of incorporation and bylaws and all applicable state laws.
- B. The Chairman of the Board or the President of the Holding Company shall notify the OTS regarding (a) any material event affecting or that may affect the balance sheet or cash flow of the Holding Company and (b) any litigation involving the Holding Company or its subsidiaries, including any preliminary injunctions or rulings from any court, by no later than three (3) business days of becoming aware of such event.

3. **Transactions with Affiliates**

Neither the Holding Company nor its subsidiaries shall engage in any transaction with Heartland Bank without the prior written non-objection of the Regional Director. This restriction does not include any transaction with Heartland Bank that is pursuant to a written agreement existing as of October 1, 2003 and that complies with applicable statutes, regulations, and OTS policies, including but not limited to 12 C.F.R. § 563.41.

4. **Debt**

- A. Except as provided for in subparagraph B, if the Holding Company does not have capital in an amount of at least seven (7) percent of consolidated assets, as determined in accordance with Paragraph 8.B, and does not have a consolidated debt to equity ratio of 200% or less, the Holding Company and its consolidated non-thrift subsidiaries shall obtain the prior written non-objection of the Regional Director at least 30 days prior to issuing, renewing, or rolling over any debt; increasing any current lines of credit; guaranteeing the debt of any entity; or entering into a commitment for debt. For purposes of this Paragraph 4, the term "debt" includes hybrid capital instruments such as subordinated debt or trust-preferred securities. For purposes of this Paragraph 4, the term "debt" does not include liabilities incurred in the normal course of business to acquire goods and services and that are normally recorded as accounts payable. Federal Home Loan Bank advances are not included in "debt" for purposes of calculating the consolidated debt to equity ratio for this Paragraph 4. For purposes of this Paragraph 4, in the event that Love Funding Corporation becomes a direct or indirect subsidiary of the Holding Company, in the computation of the consolidated debt to equity ratio, warehouse debt funding to Love Funding Corporation shall not be included in "debt", provided that such funding is to finance advances on loan(s) matched against a forward third party commitment(s) to purchase such loan(s) or to finance advances to Government National Mortgage Association, the repayment of which are substantially assured by Federal Housing Administration.
- B. Without the prior written non-objection of the Regional Director, (i) the Holding Company may draw down or rollover the currently existing \$2.0 million operating line of credit from First National Bank of St. Louis; (ii) Heartland Bank may incur debt arising from Federal Home Loan Bank advances; and (iii) Love Funding Corporation may incur warehouse debt as described in Paragraph 4.A hereof.
- C. The Holding Company must maintain capital in an amount of at least seven (7) percent of consolidated assets as determined in accordance with Paragraph 8.B, and have a consolidated debt to equity ratio of 200% or less after issuing, renewing, or rolling over any debt, increasing any current lines of credit, or guaranteeing the debt of any entity without the prior written non-objection of the

Regional Director, except with respect to any of the foregoing which are excepted from the requirement of such prior written non-objection as provided for in Paragraph 4.B hereof.

5. **Capital**

- A. The Holding Company shall have capital in the amount of seven (7) percent of total consolidated assets as determined in accordance with Paragraph 8.B of this Supervisory Agreement by no later than August 31, 2005.
- B. After August 31, 2005, the Holding Company shall at all times maintain capital of seven (7) percent of total consolidated assets as determined in accordance with Paragraph 8.B of this Supervisory Agreement.
- C. By no later than 45 days after the end of each quarter, the Holding Company shall submit to OTS (i) a detailed cash flow report and projections for the following two years and (ii) a consolidated capital report, in a format acceptable to the Regional Director.
- D. By no later than 10 days after the end of each month, the Holding Company shall submit a report on its capital raising efforts to OTS, until such time as the Holding Company has reached capital in the amount of at least seven (7) percent of total consolidated assets as determined in accordance with Paragraph 8.B of the Supervisory Agreement.
- E. By no later than 45 days after the end of each month beginning June 30, 2005 and ending June 30, 2006, the Holding Company shall submit a report to OTS on its consolidated month end capital position reflecting (1) total assets and GAAP equity capital on a consolidated basis, and the amount of minority shareholders' interest attributable to Heartland Bank's non-cumulative perpetual preferred stock or new Heartland Bank common stock; and (2) the total assets and GAAP equity capital position of each consolidated subsidiary of the Holding Company.
- F. The Holding Company or any subsidiary shall provide at least five (5) days notice to OTS prior to the issuance or sale of any common or preferred stock. Such notice shall include the amount of the preferred or common stock sold, the dividend rate where applicable, and the name(s) of the proposed purchaser. The Holding Company or its subsidiary shall provide notice to each purchaser, either directly or through its investment adviser, regarding the requirements of 12 C.F.R. Part 574, if applicable.
- G. The merger of Love Funding Corporation, St. Louis, Missouri, into the Holding Company shall be accomplished by June 30, 2005 in accordance with representations made to OTS by representatives of the Holding Company.

## MISCELLANEOUS

### 6. Director Responsibility

Notwithstanding the requirements of this Agreement that the Board submits various matters to the Regional Director to receive his approval, non-objection, or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the Holding Company's safe and sound operation at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

### 7. Compliance with Agreement

- A. The Board and officers of the Holding Company shall take all actions necessary or appropriate to cause the Holding Company to comply with, and to carry out the provisions of this Agreement.
- B. The Board, on a quarterly basis, shall adopt a board resolution (Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Holding Company has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist; and identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
- C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of 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 director's reasoning for opposing or abstaining.
- D. No later than the 25<sup>th</sup> calendar day of the month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective Date, the Holding Company shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting in such calendar quarter. The Board, by virtue of the Holding Company's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Holding Company.

8. **Definitions**

- A. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations; Home Owners' Loan Act, 12 U.S.C. §§ 1461 et seq. (HOLA); Federal Deposit Insurance Act, 12 U.S.C. §§ 1811 et seq. (FDIA); or OTS Publications. Any such technical words or terms used in this Agreement and undefined in the Code of Federal Regulations, HOLA, FDIA, or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. The capital of the Holding Company shall meet the following requirements at all times: (1) the consolidated equity capital of LSHC and subsidiaries, as computed under generally accepted accounting principles, as reported on Schedule HC of the quarterly Thrift Financial Report, in accordance with applicable instructions; and (2) the minority shareholders' interest (minority interest) attributable to Heartland Bank's issuance of common stock or non-cumulative perpetual preferred stock. The sum of (1) and (2) must equal or exceed seven (7) percent of the consolidated total assets of the Holding Company and its subsidiaries as reported on Schedule HC of the quarterly Thrift Financial Report in accordance with applicable instructions.

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

Reference in this Agreement to provisions of statutes, regulations, and OTS Publications shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

10. **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 or the Holding Company shall be in writing and mailed, first class or overnight courier, or means of electronic transmission, or physically delivered, and addressed as follows:

<b>OTS:</b> Midwest Regional Office	<b>HC:</b> Love Savings Holding Company
225 East John Carpenter Freeway	212 South Central Avenue
Suite 500	Suite 201
Irving, TX 75062-2326	St. Louis, MO 63105-3506
(972) 227-9500 - Main Number	(314) 512-8701 - Main Facsimile
(972) 277-9501 - Main Facsimile	(314) 512-8700 - Main Number

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

- A. This Agreement shall: (i) become effective upon OTS's execution, 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). OTS will not consider a request for modification or termination of any provision of this Agreement until the Holding Company and its subsidiaries have operated in full compliance at all times with all provisions of the Agreement for the period of one year from the Effective Date of this Supervisory Agreement.
- B. The Regional Director in his sole discretion may suspend, by written notice, any or all provisions of this Agreement.

12. **Effect of Headings**

The Section headings herein are for convenience only and shall not affect the construction hereof.

13. **Separability Clause**

In case any provision in this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

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

Nothing in this Agreement shall be construed as: (a) allowing the Holding Company to violate any law, rule, regulation, or policy statement to which it is subject; or (b) restricting OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement, or resolution action that OTS determines to be appropriate.

15. **Successors in Interest/Benefit**

The terms and provisions of this Agreement shall be binding upon, 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 their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

16. **Signature of Directors**

Each Director signing this Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the Holding Company's execution of this Agreement.

17. **Integration Clauses; Impact on Other Enforcement Documents**

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

18. **Enforceability of Agreement**

The Holding Company represent and warrant that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Holding Company. The Holding Company 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. See also 12 U.S.C. § 1467a(g).

19. **Termination of March 26, 2004 Supervisory Agreement**


Upon execution of this Agreement, the March 26, 2004 Supervisory Agreement is hereby terminated.

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

**OFFICE OF THRIFT SUPERVISION**

**LOVE SAVINGS HOLDING COMPANY**

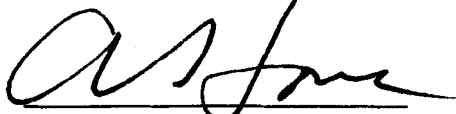
By:

  
Frederick R. Casteel  
Midwest Regional Director

By:

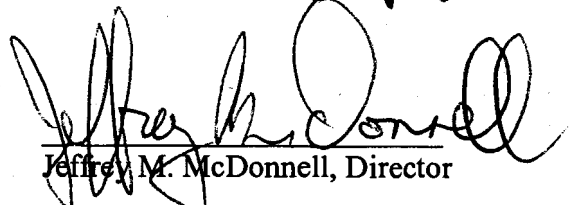
  
Laurence A. Schiffer  
President and Director


**DIRECTORS OF LOVE SAVINGS HOLDING COMPANY**

  
Andrew S. Love, Jr.  
Chairman of the Board and Director

  
Laurence A. Schiffer, Director

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George M. Rosen, Director

  
Jeffrey M. McDonnell, Director

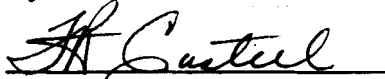
  
Lewis B. Shepley, Director

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

**OFFICE OF THRIFT SUPERVISION**


**LOVE SAVINGS HOLDING COMPANY**

By:



Frederick R. Casteel  
Midwest Regional Director

By:




Laurence A. Schiffer  
President and Director

**DIRECTORS OF LOVE SAVINGS HOLDING COMPANY**



Andrew S. Love, Jr.  
Chairman of the Board and Director



Laurence A. Schiffer, Director



George M. Rosen, Director



Jeffrey M. McDonnell, Director



Lewis B. Shepley, Director