

**SUPERVISORY AGREEMENT**

This Supervisory Agreement ("Agreement") is made and is effective this 15th day of November, 1993 (the "Effective Date"), by and between Liberty Savings Bank, FSB, (the "Institution"), a federally chartered stock institution, having its main office located at 5721 Merle Hay Road, Johnston, Iowa, 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.

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based on the Report of Examination as of August 2, 1993 ("ROE"), the OTS, by and through the Regional Director for the Midwest Region or his designee ("Regional Director") is of the opinion that the Institution has engaged in acts and practices in operating the business of the Institution that: (i) have resulted in violations of certain of the laws or regulations to which the Institution is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Institution; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Institution will: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Institution (the "Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence their intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

**COMPLIANCE WITH LAWS AND REGULATIONS**

1. The Institution shall develop or revise, and the board shall approve, its policies and procedures as necessary and appropriate to achieve compliance with the following laws, regulations, and safe and sound business practices:
  - a. Section 11 of the Home Owners' Loan Act, 12 U.S.C. § 1468 (transactions with affiliates), and Sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371c-1 (regarding banking affiliates/restrictions on transactions with affiliates);

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- b. Sections 563.41 and 563.42 of the OTS Regulations, 12 C.F.R. §§ 563.41 and 563.42 (regarding loans and other transactions with affiliates);
- c. Section 563.160 of the OTS Regulations, 12 C.F.R. §§ 563.160 (regarding classification of assets);
- d. Section 563.170(c) of the OTS Regulations, 12 C.F.R. § 563.170(c) (regarding establishment and maintenance of records);
- e. Part 564 of the OTS Regulations, 12 C.F.R. § 564.1 et seq. (regarding appraisals); and
- f. Section 571.7 of the OTS Regulations, 12 C.F.R. § 571.7 (regarding conflicts of interest). Guidance for a conflict of interest policy can also be found at 12 C.F.R. § 571.6(e) and Sections 130 and 135 of the Regulatory Thrift Handbook.

The Institution shall submit these policies and procedures to the Assistant Director I-Operations for review by November 30, 1993. Once reviewed by the Assistant Director I-Operations, the Institution shall comply with these policies and procedures.

**CORRECTIVE PROVISIONS**

2. Loan Underwriting

The board and management shall immediately implement a loan review program that will provide an ongoing assurance of sound loan underwriting, adequate loan documentation, and full regulatory compliance. A plan for this program shall be submitted to the Assistant Director I, Operations for review within thirty (30) days of the effective date of this Agreement. Once reviewed by the OTS, the Institution shall follow the loan review program.

In addition, the board and management shall take all actions necessary to correct the loan underwriting and/or documentation deficiencies noted on pages 6 and A - 2.1 through A - 2.3 of the ROE. Within thirty (30) days of the effective date of this Agreement, the board shall submit to the Assistant Director I-Operations, an acceptable report which details how these deficiencies were resolved.

3. August 2, 1993 Report of Examination

Within thirty (30) days of the receipt of the ROE, each member of the board must certify that he has reviewed the report in its entirety and that the institution will comply with the directives contained in the ROE.

- 4. Management and the board shall review each of the transactions with affiliate loans as discussed on pages 3 and 4 of the ROE (the sale of 35 commercial and commercial real estate loans and the credit

card borrowings by eight affiliate banks) and determine fair market terms that would have been available to a non-affiliate in similar transactions. In those instances where it is determined that the sales terms were more favorable to the affiliate bank(s), the Institution shall seek reimbursement from the affiliate bank(s), in an amount equal to the difference between actual and fair market price. A certification that the aforementioned transactions with affiliates has been reviewed by the board, along with detailed information supporting the amount of reimbursement to be collected from the affiliates and a detailed plan to obtain such reimbursement, shall be submitted to the Assistant Director I-Operations no later than November 30, 1993.

If it is determined that no reimbursement is due, the board shall submit a certification to the Assistant Director I-Operations along with detailed information supporting why no reimbursement is due.

#### BOARD OF DIRECTORS

##### 5. Compliance with Agreement.

- a. The board of directors and officers of the Institution shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.
- b. The board of directors, on a quarterly basis, shall adopt a board resolution (the "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 Institution has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) 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 of directors 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 such director's reasoning for opposing or abstaining.
- d. No later than the 25th 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 Institution shall provide to the Assistant Director I, Operations, a certified true copy of the Compliance Resolution[s] adopted at the Board meeting [of each month in such calendar quarter].

The board of directors, by virtue of the Institution's submission of a certified true copy of each such Compliance Resolution to the Assistant Director I, Operations, 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 Institution.

#### MISCELLANEOUS

##### 6. Definitions

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, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Directive and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

##### 7. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda 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.

##### 8. Duration, Termination or Suspension of Agreement

- a. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the 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.

##### 9. Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

##### 10. Effect of Headings

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

11. 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/her sole discretion determines otherwise.

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

Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

13. 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, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

14. Signature of Directors

Each Director signing the 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 execution of this Agreement by the Institution.

15. Integration Clause; Modification

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

Upon the effective date of this Agreement, the Supervisory Agreement dated October 12, 1992, is terminated.

16. Enforceability of Agreement

The Institution represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the

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Institution. The Institution acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818.

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

OFFICE OF THRIFT SUPERVISION

LIBERTY SAVINGS BANK, FSB  
JOHNSTON, IOWA

By:

By: /

151  
Name: \_\_\_\_\_  
Title: Regional Deputy Director

151  
Name: / O \_\_\_\_\_  
Chief Executive Officer

DIRECTORS OF  
LIBERTY SAVINGS BANK, FSB  
JOHNSTON, IOWA

Director 151 \_\_\_\_\_  
Director 151 \_\_\_\_\_  
Director 151 \_\_\_\_\_  
Director 151 \_\_\_\_\_  
Director 151 \_\_\_\_\_

Director \_\_\_\_\_  
Director \_\_\_\_\_  
Director \_\_\_\_\_  
Director \_\_\_\_\_  
Director \_\_\_\_\_

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Liberty Savings Bank, FSB, Johnston, Iowa ("the Institution"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Institution was held on Nov. 15, 1993;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Institution's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

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

WHEREAS the Directors of the Institution 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 Directors of the Institution have determined to cause the Institution to enter into the proposed Agreement which is in the best interest of the Institution;

NOW THEREFORE, BE IT RESOLVED, that the Institution 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 provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Institution be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Institution to comply in all respects with the terms of the Agreement.

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;

RESOLUTION 2

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed  
the seal of the Institution on this 15th day of November, 1993.

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\_\_\_\_\_  
Name: Paul Moen J  
Title: Secretary

(SEAL)