

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 2nd day of October, 1991, by and between Life Savings Bank, Baton Rouge, Louisiana (OTS No. 8933) ("Institution") for itself and any wholly-owned or partly-owned subsidiary that may be formed, and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution and THE "OTS". It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), sections 902 and 907, 103 Stat. 183 (1989) (codified as amended at 12 U.S.C. sections 1818(b)(1) and (i) (2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. sections 563.33(a) 563.43, 563.160(c), 563.161(a), and 563.170(c)(1) (1991), and has engaged in unsafe or unsound practices in conducting the business of the Institution, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. section 563.33(a), 563.43, 563.160(c), 563.161(a), and 563.170(c)(1) (1991), as of May 20, 1991, and its unsafe or unsound practices as set forth in the Institution's examination report dated May 20, 1991 so long as the Institution is in compliance with the provisions of this Agreement.

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings; and for the promise from OTS of technical assistance.

WHEREAS, the Institution is not of the opinion that it has engaged in unsafe or unsound practices as set forth in the Institution's examination report dated May 20, 1991.

WHEREAS, it was the Institution's understanding and belief that it would be provided technical assistance from OTS and other banking regulatory agencies to assist in its banking operations, in order to avoid the commission of unsafe or unsound banking practices.

WHEREAS, the Institution recognizes, requests and agrees that it is in need of technical assistance for its banking operations.

WHEREAS, the Institution has not received any technical assistance from banking regulatory agencies, and specifically as assistance applies to the regulations cited as being violated.

NOW, THEREFORE, in consideration of the above stated forbearance by OTS from the initiation of cease and desist proceedings against the Institution, and whereas OTS does hereby agree to provide or cause to be provided technical assistance to the Institution, it is agreed between the parties hereto as follows:

Lending Practices

1. (a) Without the prior written approval of the Regional Deputy Director for the Midwest Region of the OTS or his successor or designee ("Regional Deputy Director"), the Institution shall not grant any loans, except for the following:

(i) Owner-occupied 1-4 family first mortgages that would qualify for sale to the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association;

(ii) Consumer loans of \$25,000 or less.

(a)(i) The Regional Deputy Director will provide its written approval within 7 (seven) days after receipt of said request in order not to impair the operations of the Institution. The Regional Deputy Director's approval shall not be unreasonably withheld.

(a)(ii) Upon rejection of any loan, the Regional Deputy Director shall provide the Institution a written synopsis of its reason for rejection without request; and, upon request will provide a detailed statement as to why said rejection was made.

(b) The Institution shall adhere to all regulatory documentation requirements, including, but not limited to, 12 C.F.R. sections 563.170(c) and 12 C.F.R. Part 564, and follow Federal Home Loan Mortgage Corporation guidelines for loan underwriting and the Institutions's lending policy adopted pursuant to Paragraph 3(b) hereof.

(c) The Office of Thrift Supervision agrees to provide the Institution with technical assistance in the interpretation of said regulations to assist the Institution in complying with the stated regulations.

(d) The Regional Deputy Director shall consider, and makes its best effort to understand and recognize the Institution's population; and shall not deny any commercial loans or otherwise based upon predisposed ideas, concepts or precepts or standards about a particular banking population which may be peculiarly unique to the Institution.

Policies and Procedures

2. (a) Within 60 days of the effective date of this Agreement, the Board of Directors shall immediately appoint a committee (the "Policies Committee") to conduct a comprehensive review of the Institution's written policies and procedures to ensure that policies required by the regulations governing the Institution's operations, and procedures to implement those policies, are in place and provide adequate guidance and safeguards.

(a)(i) The OTS shall assign or cause to be assigned a staff member or other person(s) knowledgeable in the area to assist the Institution in the review and implementation of said policies. After said assignment is completed, the staff member shall remove him/herself from the committee to allow it to function on its own.

(b) All policies and procedures of the Institution, including those required by this Agreement, shall be maintained in the files in the Institution and available for review by the OTS examiners.

(c) The Institution shall amend any policy or procedures as requested by the Regional Deputy Director, and shall comply with any policy or procedures as so amended. The Institution shall not implement or deviate from its policies or procedures without the prior written notice to the Regional Deputy Director. The Regional Deputy Director shall explain in detail why he may direct a policy amendment; and, the Institution shall be given the opportunity to object to the Regional Deputy Director's amendment.

Lending Policy

3. Within thirty (30) days of the effective date of this Agreement, the Institution shall adopt and implement a written lending policy ("Policy") that incorporates applicable regulatory requirements including, but not limited to, 12 C.F.R. § 563.170(c), Part 564, and Sections 212, 214, and 217 of the Thrift Activities Handbook. The Policy shall include, but not be limited to, (i) an outline of the Institution's present loan portfolio composition; (ii) clearly formulated future investment objectives and plans for future portfolio goals and composition; (iii) identification of a market area; (iv) criteria for establishing the terms of different types of loans; (v) documentation requirements; (vi) underwriting requirements (including verification of the borrower's employment,

income, and credit history, and verification of insurance coverage); (vii) requirements for the creation and perfection of a security interest in collateral; (viii) delineation of lines of authority to ensure adequate controls and checks and balances in the execution of the Policy, and (ix) appraisal policies and procedures ensuring that appraisals reflect values upon which the Institution may rely in making lending decisions as required by 12 C.F.R. § 563.170 and Part 564.

Interest-Rate Risk

4. Within 90 days of the effective date of this Agreement, the Institution shall adopt and implement an interest-rate risk management policies and procedures ("Interest-Rate Risk Policy"), as required by 12 C.F.R. §§ 563.176 and 571.3. The Interest-Rate Risk Policy generally shall contain the elements described in Thrift Bulletin No. 13, dated January 26, 1989, and Section 420 of the Thrift Activities Handbook.

The Office of Thrift Supervision shall assign or cause to be assigned a member of its staff or other person(s) experienced in this area to assist in complying with said regulations and this provision.

Asset Classification

5. (a) Within 90 days of the effective date of this Agreement, the Institution shall appoint an asset review officer to develop an internal loan review system ("System") and the Board of Directors shall adopt and implement the System. This System shall be in compliance with the classification standards set forth in 12 C.F.R. §§ 563.160 and 571.26, and Thrift Bulletin No. 3 ("TB 3"). The Institution shall maintain documentation to support its compliance with this System and to support the general and specific allowances determined by management under the System in accordance with Section 261 of the Thrift Activities Handbook. The System shall provide for the quarterly review of the Institution's assets and the identification and rating of such assets in accordance with the standards set forth in 12 C.F.R. §§ 561.13, 561.47, 561.48, 563.160, and 571.26, and the guidelines in TB 3 and Section 260 of the Thrift Activities Handbook.

(b) The results of such reviews shall be reported to the Board of Directors on a quarterly basis.

6. The Institution shall immediately establish all allowances directed by the examiners pursuant to 12 C.F.R. § 563.160(a).

Conflicts of Interest and Affiliated Persons Transactions

7. (a) The Institution shall comply with 12 C.F.R. §§ 563.41, 563.42 and 563.43 (as codified in 56 Fed. Reg. 34005-34014 (July 25, 1991)); Section 22(h) of the Federal Reserve Act ("FRA"); Sections 23A and 23B of the FRA; Section 11 of the Home Owners Loan Act ("HOLA"); and 12 U.S.C. § 375b, and its implementing regulations, 12 C.F.R. §§ 215.4 and 215.7.
- (b) The Institution shall not make any loans to affiliated persons, as that term is defined at 12 C.F.R. § 561.5, until a conflicts of interest policy for the Institution is submitted to the Regional Deputy Director for review and no supervisory objection. The conflicts of interest policy shall address, at a minimum, the following:
- (i) Describe specific policies and procedures that the Institution will adopt to avoid internal conflicts of interest;
 - (ii) Describe steps to ensure that the Institution is in compliance with 12 C.F.R. § 563.40, 563.41, 563.43, 563.45, 571.7, and 571.9; Section 22(h) of the Federal Reserve Act ("FRA"); 12 U.S.C. § 375b, and its implementing regulations at 12 C.F.R. 215.4 and 215.7; and Sections 23A and 23B of the FRA; and
 - (iii) Establish specific procedures for dealing with violations of the conflicts of interest policy.

Notwithstanding any other provision in this part, the stated regulations shall not be interpreted to prohibit the Institution from considering and funding loans to its shareholders.

Despite the provision of section "b" of this part, the Regional Deputy Director shall not unreasonably withhold his approval. Upon the rejection of a loan to an affiliated person by the Regional Deputy Director he shall provide the Institution with a synopsis of his reason(s) for denial. Upon request, the Regional Deputy Director shall provide the Institution with an detailed explanation of his reasons for denial. The Regional Deputy Director shall provide the Institution with his decision to reject or deny any such loan within three (3) days of receipt of same.

The Office of Thrift Supervision shall assign or cause to be assigned a staff person or other person(s) experienced in the area to the Institution to assist in complying with this part.

Management Plan

8. (a) Within 60 days after the effective date of this Agreement, the Institution shall file with the Regional Deputy Director an acceptable plan for the reorganization or augmentation of the Institution's management ("Management Plan"). At a minimum, the Management Plan shall specifically include the present managing officer/chief operating officer and the employment, within 120 days of the effective date of this Agreement, a qualified chief lending officer with prior experience and knowledge of applicable regulations and policies governing financial institutions, as well as required internal controls, subject to the provisions of Paragraph 10 hereof. The 120 day time period shall include the processing time required for a notice filed pursuant to Paragraph 10 hereof. The Management Plan shall contain an organization chart of the proposed management of the Institution, including the identity of all officers and key employees, a description of the respective responsibilities, and the specific qualifications of each of the proposed officers. The Management Plan, before being implemented, shall be subject to the review and approval of the Regional Deputy Director.
- (b) Within 60 days of the effective date of this Agreement, the Institution shall submit a plan, acceptable to the Regional Deputy Director, to restructure and/or augment its Board of Directors. This plan shall, at a minimum, give consideration to the expansion of the Board of Directors by three members who have experience serving as a director of a financial institution or commercial entity, or other related experience. The Institution shall submit a quarterly report detailing its efforts towards soliciting new qualified Board of Directors' candidates and the filing of any required notices under Paragraph 10 hereof. The first such report shall be submitted to the Regional Deputy Director within 30 days following the end of each calendar quarter.
- (c) The Office of Thrift Supervision agrees to waive the fee(s) charged for the review of the application and acceptance of a prospective Board member.

(d) The Regional Deputy Director shall not unreasonably withhold his approval. Upon rejection of a proposed plan or portion thereof, the Regional Deputy Director shall provide the Institution with a synopsis of his reasons for denial. Upon request from the Institution, the Regional Deputy Director shall provide the Institution with a detailed explanation of said rejection.

Composition of the Board of Directors

9. Within 30 days of the effective date of this Agreements the Board of Directors shall obtain from the two directors, Ernest and Pamela Johnson, evidence that their partnership has been dissolved or take the appropriate action to correct the violation of 12 C.F.R. § 563.33(a)(1)(iii).

(b) The Institution shall comply with the requirements of 12 C.F.R. § 563.33.

Employment of Officers and Directors

10. Pursuant to § 914 of FIRREA and any regulations promulgated thereunder, the Board of Directors shall notify the Regional Deputy Director of the proposed addition or employment of any director or senior executive officer before such or employment becomes effective. The Board of Directors may not add or employ any director or senior executive officer if the Regional Deputy Director issues a notice of disapproval no later than 30 days after the notice was deemed complete.

Board of Directors' Meeting Minutes

11. (a) Within 30 days of the effective date of this Agreement, the Board of Directors shall implement policies and procedures to ensure that the Board of Directors' meeting minutes thoroughly reflect the official business conducted on behalf of the Institution at each Board of Directors' meeting in accordance with 12 C.F.R. § 563.170(c).

(b) Pursuant to Paragraph 11(a) above, the Board of Directors shall submit their approval of the Board of Directors' meeting minutes within 30 days after each Board of Directors' meeting.

Management Reports to the Board of Directors

12. Beginning with the next board of directors' meeting after the effective date of this Agreement, and monthly thereafter, the president/managing officer shall provide the following reports to the Board of Directors:
- (a) Schedule of delinquent loans;
 - (b) Schedule of loans on non-accrual;
 - (c) Schedule of loans modified, extended, renewed, or restructured;
 - (d) Schedule of problem loans;
 - (e) Schedule of internal classifications, watch list, and general and specific valuation allowances;
 - (f) Schedule of real estate owned ("REO") and REO sold;
 - (g) Schedules of portfolio concentrations and loans-to-one-borrower;
 - (h) Documentation supporting any asset classification changes;
 - (i) Basis for determining interest rates and yield structure on loans and savings;
 - (j) Financial reports regarding operating results, capital adequacy, comparative status of actual performance to pro forma financial statements and interest-rate risk monitoring detail; and
 - (k) Terms of each loan and information regarding approval of the loan.

Accounting

13. By no later than December 15, 1991, the Institution shall obtain from its independent auditor an opinion regarding the validity of the receivables relating to requests for reimbursement from the Resolution Trust Corporation under Generally Accepted Accounting Principles.

Capital Assistance Agreement

14. Within 30 days of the effective date of this Agreement, the Board of Directors shall initiate a legal review of the covenants of the Interim Capital Assistance Agreement and its applicability to transactions with affiliates or shareholders and the current deficiencies in its operations.
15. Within 90 days of the effective date of this Agreement, the Institution shall submit to the Regional Deputy Director a copy of the legal opinion obtained pursuant to Paragraph 14 hereof.

Dividends and Fees

16. The Institution shall not pay any dividends, cash, or stock, or pay any fees of any kind to its holding company, Life Bancshares, Inc.

Business Plan/Operating Budget

17. (a) Within 60 days after the effective date of the Agreement, the Board of Directors shall prepare, adopt and submit to the Regional Deputy Director for review and no supervisory objection, a written Business Plan/Operating Budget. The Regional Deputy Director shall not unreasonably reject any segment of the Business Plan/Operating Budget. The Business Plan/Operating Budget contains, at a minimum, the following components:

- (i) Financial projections for one-year on a quarterly basis, including major balance sheet and income statement components and a budget with respect to the overall operations of the Institution;
- (ii) A narrative description of the strategy to be implemented to manage the Institution in such manner as to make it profitable and interest-rate scenario assumptions upon which the Business Plan/Operating Budget is based;
- (iii) An investment policy that incorporates, as a minimum, the guidelines set forth in Section 220 of the Thrift Activities Handbook.
- (iv) An evaluation of operations including staffing, goals, income, expenses, and objectives;
- (v) A contingency plan for asset and liability management that incorporates, as a minimum, the guidelines in Section 410 of the Thrift Activities Handbook; and
- (vi) A capital maintenance plan that addresses resolution of the claims filed with the Resolution Trust Corporation and the Interim Capital Assistance Note and identifies sources of capital, including capital infusion from the holding company or its stockholders.

(b) The Board of Directors hereby agrees to make all revisions to the Business Plan that are reasonably requested by the Regional Deputy Director and to comply with the Business Plan/Operating Budget, provided that any material revisions be subject to prior review and no supervisory objection by the Regional Deputy Director.

(b)(i) The Regional Deputy Director shall not unreasonably reject any material revisions of the Business Plan/Operating Budget proposed by the Institution. Further, any proposed revision by

the Institution to the Business Plan/Operating Budget which is sent to the Regional Deputy Director for prior review shall be reviewed and returned to the Institution within ten days after receipt thereof by the Regional Deputy Director.

(b)(ii) In the event the Regional Deputy Director has a supervisory objection to said revisions, he shall provide the Institution with a synopsis of his objection; and, upon request by the Institution provide a detailed explanation of his objections.

(c) Beginning with the end of the quarter following the submission of the Business Plan/Operating Budget, the Institution shall provide to the Regional Deputy Director, quarterly progress reports comparing the actual performance to the projections set forth in the Business Plan/Operating Budget detailing all 10 percent variances.

(d) The Institution shall update the one-year Business Plan/Operating Budget on a semiannual basis and submit to the Regional Deputy Director for review and no supervisory objection the updated Business Plan/Operating Budget by 30 days after the end of the six-month period

(e) The minutes of the Institution's Board of Directors' meetings shall disclose the extent of the Board of Directors' involvement in this monitoring process.

Collection Procedures

18. (a) Within 60 days of the effective date of this Agreement, the Board of Directors shall adopt and implement collection procedures to ensure that all loans 30 days' delinquent or more are subject to collection actions.

(b) Within 60 days of the effective date of this Agreement, or after the filing of the required notice pursuant to Paragraph 10 of this Agreement, if appropriate, the Institution shall hire a qualified individual to handle collection activities that has experience in collection of home mortgage, commercial, and consumer loans.

Internal Controls

19. (a) Within 30 days after the effective date of this Agreement, the Board of Directors shall engage an independent accounting firm, for the purpose of obtaining an internal control study and evaluation of the Institution and its subsidiaries. In lieu of Life Saving Bank engaging an independent accounting firm, Life Saving Bank will allow one of OTS auditors to perform the above function in accordance with Section 308 of (FIRREA). The objective of the study should be to ensure that adequate systems and internal controls are in place to cause the maintenance of accurate books and records and supporting systems and ledgers. The study should: (i) include a complete review of the Institution's accounting process and the Institution's internal data processing operation, including allocation of principal and interest payments in various types of loans, (ii) include recommendations concerning the Institution's plans to resolve the current deficiencies in the Institution's internal controls and internal data processing operation, and (iii) specifically evaluate the need for the Institution to engage outside personnel in order to ensure correction of the existing control and operational deficiencies. The study shall be provided to the Regional Deputy Director within 60 days of the execution of the engagement letter with the accounting firm.

(b) Within 90 days of the effective date of this Agreement, the Board of Directors shall adopt and submit to the Regional Deputy Director for review an internal controls system that incorporates the findings of Paragraph 19(a) and provisions for the checks and balances of director, officer, and employee duties in accordance with the guidelines of Section 110 of the Thrift Activities Handbook.

(c) The Institution shall maintain adequate internal controls consistent with safe and sound operations.

General Provisions

20. The Board of Directors shall, at each regular meeting, formally resolve that, to the best of its knowledge and belief, and based on a prudent review, during the previous calendar month the Institution complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director.

21. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, § 723(d), 103 Stat'. 183 (1989).

(b) As used in this Agreement, the term "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. § 567.1(dd).

(c) As used in this Agreement, the term "savings association" shall have the meaning as set forth in Section 2(4) of the Highly, as amended by Section 301 of the FIRREA, § 301, 103 Stat. 183 (1989).

(d) 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 of this Agreement pursuant to Section 401(h) of the FIRREA, § 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, and Federal Deposit Insurance Act, as amended ("FDIC"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIC, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

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.

This Agreement shall remain in effect until the results of the next regularly scheduled examination is received by the Institution; at which time it is reviewable. The Regional Deputy Director or its designee shall meet with the Institution's Board of Directors to discuss its findings as it relates the provisions of this Agreement. The Regional Deputy Director shall at that meeting make his recommendation whether it is his intention to extend the agreement for an additional period of time. The Institution shall have the right to object to any extension and a due process procedure shall be initiated by the Institution.

IN WITNESS Whereof, the OTS, acting through the Regional Director for the Midwest Region of the OTS or his successor or designee ("Regional Director"), and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

LIFE SAVINGS BANK
Baton Rouge, Louisiana

By:

151
DIRECTOR

OFFICE OF THRIFT SUPERVISION

BY:

151
Regional Deputy Director

CERTIFIED COPY OF

RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Life Savings Bank, Baton Rouge, Louisiana (OTS No. 8933) ("Institution") hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on October 2, 1991; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

RESOLUTION

WHEREAS the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and has engaged in unsafe and unsound practices and that such violations and practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the Institution is not of the opinion that it has engaged in unsafe and unsound practices as set forth in the Institution's examination report dated May 20, 1991;

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. §§ 563.33(a), 563.43, 563.160(c), 563.161(a), and 563.170(c)(1) (1991), as of May 20, 1991 to which the Institution is subject, and the Institution's unsafe or unsound practices as set forth in an examination report dated May 20, 1991 if the attached Supervisory Agreement ("Agreement") is executed by the Institution and if its terms are thereafter carried out by the Institution; and

WHEREAS the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the board of directors held on October 2, 1991; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: Now, therefore, be it

RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the board of directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Life Savings Bank, Baton Rouge, Louisiana this 3-1 day of October 1991.

LS/
Secretary

