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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 6th day of November, 1991, by and between The Liberty Savings and Loan Association, Fort Scott, Kansas, Docket No. 04214 ("Institution" or "Association"), for itself and for any wholly-owned or partly-owned subsidiary 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. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C.S. §§ 1818(b)(1) and (i)(2) (Law. Co-op. Supp. 1991),

WHEREAS, the OTS has reviewed the operations and financial condition of the Institution and finds that the present condition of the Institution justifies and requires extraordinary action by the Directors of the Institution for the benefit of the Institution and its depositors, other creditors, and borrowers; and

WHEREAS, the Institution's Board of Directors acknowledges the supervisory rights, powers, and authority of the OTS, with respect to the Institution under the statutes and regulations that govern the operations of the Institution; and

WHEREAS, the OTS is of the opinion that the Institution has violated 12 C.F.R. Sections 564.4, 563.170 and 563.172 (1991), to which the Institution is subject, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS, pursuant to 12 U.S.C.S. § 1818(b) (Law. Co-op. Supp. 1991); and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement in order to resolve the controversy with the OTS and to avoid the initiation of such cease-and-desist proceedings; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease-and-desist proceedings as the result of the Institution's past failure to comply with 12 C.F.R. §§ 564.4, 563.170, and 563.172; as long as the Institution is in compliance with this Agreement;

NOW, THEREFORE, in consideration of the OTS's above-stated forbearance, it is agreed between the parties hereto as follows:

1. Within sixty (60) days of the effective date of this Agreement, the Board of Directors shall submit to the Regional Deputy Director ("RDD"), a revised comprehensive business plan detailing projected business strategies and budget assumptions and operations for the Institution and its subsidiaries for the fiscal year commencing October 1, 1991. The revised plan should include pro forma financial statements for the period covered by the plan and shall incorporate, as appropriate, the provisions of this Agreement. The business plan shall be subject to the review and

the approval of the OTS Regional Deputy Director. The Board of Directors shall review and approve the revised business plan and monitor the business plan on a continuing basis. The minutes of the Board of Directors' meetings shall disclose the extent of the Board's involvement in this monitoring process.

2. Within sixty (60) days after the effective date of this Agreement, the Institution shall submit to the Regional Deputy Director, Board approved comprehensive policies which address the following areas:

- a. an appraisal policy which shall include, but not be limited to, the requirements provided in 12 C.F.R. Sections 563.170, 563.172, 564.4 and 564.5 (1991) and which specifically addresses the deficiencies identified in the Report of Examination as of June 10, 1991;
- b. a policy which addresses internal asset classification as required by 12 C.F.R. Section 563.160 (1991) and which specifically addresses the deficiencies identified in the Report of Examination as of June 10, 1991;
- c. lending policies which shall include, but not be limited to, the requirements provided in 12 C.F.R. Section 563.170 (1991) and which specifically address the deficiencies identified in the Report of Examination as of June 10, 1991.

Any material deviations from the policies, once approved by the Regional Deputy Director, shall require the prior written approval of the Regional Deputy Director. The Board of Directors shall review and approve said policies and shall monitor these policies on a continuing basis. The minutes of the Board of Directors' meetings shall disclose the extent of the Board's involvement in this monitoring process.

3. The Board of Directors shall immediately undertake a review of the level of compensation currently being paid to the president and the head teller. The review shall, at a minimum, take into consideration the reasonableness of the compensation, the duties and responsibilities of each position, industry standards for institutions of similar size and location, the financial condition and performance of the Institution, and senior management's progress in resolving regulatory concerns and complying with regulatory statutes, regulations, and guidelines. Within sixty (60) days after the effective date of this Agreement, the Board shall submit to the Regional Deputy Director a report, subject to the review and approval of the Regional Deputy Director, detailing the results of the review and the actions, if any, which the Board has taken in response to the review.

4. Within sixty (60) days after the effective date of this Agreement, the Directorate shall submit to the Regional Deputy Director a legal opinion, acceptable to the Regional Deputy Director, which addresses the legality of the deferred compensation payments made to Dorothy Myers. The legal opinion shall be prepared by independent legal counsel and include all underlying documentation for these payments.

5. Without the prior written approval of the Regional Deputy Director, the Institution shall not increase the compensation or other direct or indirect benefits of any employee whose total compensation, on an annualized basis, is greater than \$45,000 per year.

6. Within thirty (30) days of the effective date of this Agreement, the Board of Directors shall submit to the Regional Deputy Director for approval, a revised conflicts of interest policy. The conflicts of interest policy shall include, but not be limited to, the following measures:

- a. The Institution shall amend its current policy on conflicts of interest to require officers, directors and consultants of the Institution to make written disclosure to the Board of all conflicts of interest in which they are personally involved and to identify any situation which could lead to a conflict of interest or the appearance of a conflict of interest. Furthermore, the policy shall require the execution of a written recusal by any such

officer or director from any and all involvement in activities related to the reported conflict or any situation which could lead to a conflict of interest or the appearance of a conflict of interest. If a situation is reported which the Board of Directors believes would not lead to a conflict of interest or the appearance of a conflict of interest, the requirement of a written recusal may be waived but only if the prior written concurrence of the Regional Deputy Director is obtained.

- b. The Institution shall request Richard Myers to make written disclosure of his affiliation with and the responsibilities performed by him on behalf of the F. E. Myers Insurance Agency.
- c. Prior to the renewal of the Institution's Surety Bond, Directors and Officers Indemnity and other insurance detailed in the Report of Examination as of June 10, 1991, the Institution shall obtain at least two independent bids for such insurance from entities unaffiliated with individuals employed by the Institution. The independent bids and other insurance bids obtained by the Institution shall be reviewed by the Board of Directors. The extent of the review and the Board's approval of the insurance bid accepted shall be documented in the minutes of the Board of Directors' meeting at which this issue was discussed.

7. No later than the last day of the month following each calendar quarter, the Board of Directors shall file with the OTS a resolution, similar to the attached resolution, signed by each Director, certifying that, to the best of his knowledge or belief, the Institution has complied with all conditions of this Agreement.

8. All technical words or terms used in 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 ("HOLA"), or the Federal Deposit Insurance Act ("FDIA"), and any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, or FDIA shall have meanings that accord with the best custom and usage in the savings and loan industry.

9. All statutory and regulatory citations herein shall be in the form as codified or promulgated as of the date of this Agreement, or as amended or renumbered thereafter.

10. 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.

11. This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through its Regional Deputy Director. Such Regional Deputy Director may suspend, in his/her sole discretion, any or all provisions of this Agreement during the term of this Agreement. The District Director will entertain, in good faith, written requests for termination of the Agreement, if in his/her opinion, the Institution is in compliance

with the terms of this Agreement for four (4) consecutive calendar quarters. This Agreement will terminate in its entirety when the Institution receives a composite "MACRO" rating of "2" or better on a comprehensive safety and soundness examination.

12. Nothing in this Agreement shall be construed as allowing the Institution to violate any law or regulation to which it is subject.

IN WITNESS WHEREOF, the parties have executed this Agreement individually or by their duly designated agent. A certified copy of the resolution of the Board of Directors of The Liberty Savings and Loan Association authorizing the execution of this Agreement is attached hereto and made a part hereof.

OFFICE OF THRIFT SUPERVISION

By: LS/
Regional Deputy Director

THE LIBERTY SAVINGS
AND LOAN ASSOCIATION
Fort Scott, Kansas

By: LS/
Its: Pres

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of The Liberty Savings and Loan Association, Fort Scott, Kansas, ("the 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 November 6th, 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 officers and directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution has violated 12 C.F.R. Sections 564.4, 563.170, and 563.172 (1991), to which the Institution is subject, thereby providing grounds for the initiation of cease-and-desist proceedings against the Institution by the OTS, pursuant to 12 U.S.C.S. § 1818(b) (Law. Co-op. Supp. 1991), and

WHEREAS, said Officers and Directors have been informed that the OTS will forbear from the initiation of cease-and-desist proceedings as a result of the Institution's violations noted above 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 Agreement attached to the minutes of the meeting of the Board of Directors held on November 6th, 1991 and after due consideration, and in the interest of regulatory compliance and cooperation, have determined to enter into the Agreement:

NOW, THEREFORE, BE IT RESOLVED, that the proposed Agreement, a copy of which is attached hereto, be and is hereby approved by the Board of Directors of the Institution. The president of the Institution is authorized to sign and execute the Agreement on behalf 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.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Liberty Savings and Loan Assn this 6th day of November, 1991.

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Secretary