

## **SUPERVISORY AGREEMENT**

This Supervisory Agreement (Agreement) is made this 14th day of July, 2010, by and through the Board of Directors (Board) of American Loan and Savings Association, Hannibal, Missouri, OTS Docket No. 06160 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director);

**WHEREAS**, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

**WHEREAS**, the Association is subject to examination, regulation and supervision by the OTS; and

**WHEREAS**, based on its examination of the Association the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

**WHEREAS**, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the March 22, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

**WHEREAS**, on July 13, 2010, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

**NOW, THEREFORE**, in consideration of the above premises, it is agreed as follows:

### **Compliance with Laws and Regulations.**

1. The Association shall comply with the following laws and regulations:
  - (a) 12 C.F.R. § 563.161(a) (Financial Planning); and
  - (b) 12 C.F.R. § 544.5(b)(8) (Composition of Board).

### **Capital.**

2. Effective immediately, the Association shall have and maintain a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%), after the funding of an adequate Allowance for Loan and Lease Losses (ALLL), and a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12%).<sup>1</sup>

### **Business Plan**

3. By September 30, 2010, the Association shall submit a new comprehensive business plan for the time period beginning with the quarter ending September 30, 2010 through December 31, 2012 (Business Plan) to ensure that it is acceptable to the Regional Director and addresses all corrective actions in the 2010 ROE relating to the Association's Business Plan. At a minimum, the Business Plan shall conform to applicable laws, regulations and regulatory guidance and include:
  - (a) plans to improve the Association's core earnings, and achieve profitability on a consistent basis throughout the term of the Business Plan;
  - (b) plans to maintain capital levels at all times in accordance with Paragraph 2 of this Agreement;

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<sup>1</sup> The requirement in Paragraph 2 to have and maintain a specific capital level means that the Association may not be deemed to be "well-capitalized" for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b)(1)(iv).

- (c) strategies for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, and comply with this Supervisory Agreement;
- (d) assessment of the Association's capital levels related to the subprime loan portfolio in accordance with OTS CEO Memorandum No. 137 (Expanded Guidance for Subprime Lending Program);
- (e) comprehensive concentration limits for asset and liability categories expressed as a percentage of Tier 1 (Core) Capital plus ALLL, including, but not limited to large depositors, purchased loans, non-owner occupied one-to-four multi-family loans, and subprime mortgage loans;
- (f) documentation of the appropriateness of concentration limits for the asset and liability categories established pursuant to Paragraph 3(e) of the Agreement, based on the Association's risk profile;
- (g) a written action plan, including specific time frames, for bringing the Association into compliance with its concentration of assets and liabilities limits;
- (h) quarterly targets for the level of classified assets as a percentage of Tier 1 (Core) Capital plus ALLL;
- (i) a description of the methods for reducing<sup>2</sup> the Association's level of classified assets to the established targets;
- (j) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan that are presented in a format consistent with the Thrift Financial Report (TFR); and

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<sup>2</sup> For purposes of this Paragraph, the term "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

(k) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

4. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan. A copy of the Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

5. Any material modifications<sup>3</sup> to the Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

6. Within thirty (30) days after the end of each quarter, after implementation of the Business Plan, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Business Plan Variance Reports). The Business Plan Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances;
- (c) compare classified assets to Tier 1 (Core) Capital plus ALLL and Total Risk-Based Capital;
- (d) discuss classified assets by type, risk factor, location, and origination source;
- (e) discuss the actions taken during the preceding quarter to reduce the Association's level of classified assets;

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<sup>3</sup> A modification shall be considered material under this Paragraph of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

- (f) discuss: (i) the appropriateness of the Association's concentration limits given current conditions; (ii) compliance with the Association's established concentration limits; and (iii) written action plan to revise the current level of concentrations; and
  - (g) discuss the specific measures taken or to be taken to address identified variances.
7. A copy of the Business Plan Variance Reports and Board meeting minutes shall be provided to the Regional Director within ten (10) days after the Board meeting.
8. By October 31, 2011 and thereafter at least sixty (60) days prior to the end of each calendar year, the Association shall submit a revised Business Plan that is acceptable to the Regional Director and addresses the criteria set forth in Paragraph 3 of the Agreement.
9. Upon receipt of written notification from the Regional Director that the revised Business Plan is acceptable, the Association shall implement and adhere to the revised Business Plan. A copy of the revised Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.
10. Within fifteen (15) days after: (a) the Board determines that it can not adopt a Business Plan that will meet the requirements of Paragraphs 3 or 8 of this Agreement; (b) the Association fails to submit a Business Plan acceptable to the Regional Director; (c) the Association fails to implement or adhere to the Business Plan deemed acceptable by the Regional Director pursuant to Paragraphs 4 or Paragraph 9 of this Agreement; or (d) any written request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.
11. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or

acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations, and regulatory guidance.

12. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1<sup>st</sup>) and fifteenth (15<sup>th</sup>) of each month following implementation of the Contingency Plan.

**Management and Directorate Oversight.**

13. By September 30, 2010, the Association shall add to its Board at least one (1) director who: (a) is independent;<sup>4</sup> (b) has banking, financial regulatory, financial management, or accounting background and experience; and (c) is acceptable to the Regional Director.

14. By September 30, 2010, the Association shall submit to the Regional Director a written plan to address the corrective actions in the 2010 ROE addressing corporate oversight that is acceptable to the Regional Director (Management Plan). The Management Plan shall, at a minimum, include:

- (a) adoption of a management and directorate succession plan;

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<sup>4</sup> For purposes of this Agreement, an individual who is "independent" with respect to the Association shall be any individual who:

- (a) is not employed in any capacity by the Association;
- (b) is not related by blood or marriage to any officer or director of the Association or who does not otherwise share a common financial interest with any such officer or director;
- (c) is not indebted, directly or indirectly, to the Association, including the indebtedness of any entity in which the individual has a substantial financial interest; and
- (d) has not served as a consultant, advisor, underwriter, or legal counsel to the Association.

(b) identification of present and future staffing requirements to implement the Association's Business Plan and to address the deficiencies in the 2010 ROE and the requirements of the Agreement; and

(c) evaluation of the performance of the Association's current Senior Executive Officers,<sup>5</sup> including an assessment of whether compensation for each is commensurate with job duties and responsibilities in compliance with 12 C.F.R. § 563.161(b).

15. Upon receipt of written notification from the Regional Director that the Management Plan is acceptable, the Association shall implement and adhere to the Management Plan. A copy of the Management Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

**Allowance for Loan and Lease Losses.**

16. By September 30, 2010, the Association shall revise its policies, procedures, and methodology relating to the timely establishment and maintenance of an adequate ALLL level (ALLL Policy) to ensure that it is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE relating to ALLL. The ALLL Policy shall comply with applicable laws, regulations, and regulatory guidance and shall:

(a) incorporate the results of all internal loan reviews and classifications;

(b) address the historical loan loss rates of the Association in compliance with regulatory guidance, which shall be updated quarterly with heavier weighting assigned to rates of the most recent quarters; and

(c) take into consideration current and prospective market and economic conditions.

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<sup>5</sup> The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

17. By September 30, 2010, the Association shall submit its ALLL Policy to the Regional Director for review and comment. Upon receipt of written notification from the Regional Director that the ALLL Policy is acceptable, the Association shall implement and adhere to the ALLL Policy. The Board's review of the ALLL Policy shall be documented in the Board meeting minutes. A copy of the ALLL Policy shall be provided to the Regional Director within ten (10) days of adoption by the Board.

18. The Association shall submit a copy of the Board meeting minutes reflecting the Board's discussion and adoption of the ALLL Policy to the Regional Director within ten (10) days after the Board meeting.

19. Within thirty (30) days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall analyze the adequacy of the ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including, but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its TFR with the OTS. A copy of the Quarterly ALLL Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within ten (10) days after the Board meeting.

**Flood Insurance.**

20. By September 30, 2010, the Association shall adopt a policy to address the corrective actions in the 2010 ROE related to flood insurance (Flood Insurance Policy). The Flood Insurance Policy shall comply with all applicable laws, regulations, and regulatory guidance and, at a minimum, shall address:

- (a) The renewal of flood insurance during the term of loans with collateral security property covered by requirements of 12 C.F.R. § 572.3; and
- (b) forced placement of flood insurance upon the determination that the security property is not covered by an adequate amount of flood insurance in accordance with 12 C.F.R. § 572.7.

**Brokered Deposits.**

21. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b). The Association shall provide to the Regional Director a copy of any waiver request submitted to the Federal Deposit Insurance Corporation.

**Growth.**

22. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Association receives the Regional Director's written notice of non-objection of its Business Plan pursuant to Paragraph 4 or Paragraph 9 of this Agreement.

**Directorate and Management Changes.**

23. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

### **Golden Parachute and Indemnification Payments.**

24. Effective immediately, the Association shall not make any golden parachute payment<sup>6</sup> or prohibited indemnification payment<sup>7</sup> unless, with respect to each such payment, the Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

### **Employment Contracts and Compensation Arrangements.**

25. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

### **Third Party Contracts.**

26. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association<sup>8</sup> or outside the Association's normal course of business unless, with respect to

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<sup>6</sup> The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

<sup>7</sup> The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

<sup>8</sup> A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a; and (b) received written notice of non-objection from the Regional Director.

**Board Oversight of Compliance with Supervisory Agreement.**

27. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Agreement prior to submission to the OTS.

28. Within thirty (30) days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Agreement and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

29. Within thirty (30) days at the end of each quarter, beginning with quarter ending September 30, 2010, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Agreement. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within ten (10) days after the Board meeting.

30. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Agreement.

**Effective Date.**

31. This Agreement is effective on the Effective Date as shown on the first page.

**Duration.**

32. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

33. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

**Submissions and Notices.**

34. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

35. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To: OTS  
Lori J. Quigley Acting Regional Director  
Attn: Dennis Havener, Assistant Director  
Office of Thrift Supervision  
225 E. John Carpenter Freeway, Suite 500  
Irving, Texas 75062-2326  
Facsimile: (972) 277-9501

(b) To: American Loan and Savings Association  
Attn: Kent N. Brown, Managing Officer  
105 N. Maple Avenue  
Hannibal, Missouri 63401-3406

**No Violations Authorized.**

36. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

**OTS Authority Not Affected.**

37. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**Other Governmental Actions Not Affected.**

38. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 37 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

39. The laws of the United States of America shall govern the construction and validity of this Agreement.

40. If any provision of 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 or her sole discretion determines otherwise.

41. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

42. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

43. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

**Enforceability of Agreement.**

44. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

**Signature of Directors/Board Resolution.**

45. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

**[Remainder of Page Intentionally Left Blank]**

**WHEREFORE**, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

**AMERICAN LOAN AND SAVINGS  
ASSOCIATION  
Hannibal, Missouri**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Kent N. Brown Managing Officer,  
Secretary-Treasurer, and Director

By: \_\_\_\_\_ /s/  
Philip A. Gerbick  
Regional Director, Western Region

Date: See Effective Date on page 1

\_\_\_\_\_/s/  
Cherie R. Blue, Director

\_\_\_\_\_/s/  
Joseph C. Raible, President and  
Director

\_\_\_\_\_/s/  
Larry R. Lampton, Director