

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

STATE OF IOWA  
IOWA DIVISION OF BANKING  
SUPERINTENDENT OF BANKING  
DES MOINES, IOWA

Written Agreement by and among

VISIONBANK OF IOWA  
West Des Moines, Iowa

FEDERAL RESERVE BANK OF CHICAGO  
Chicago, Illinois

and

IOWA DIVISION OF BANKING  
SUPERINTENDENT OF BANKING  
Des Moines, Iowa

Docket No. 09-150-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of VisionBank of Iowa, West Des Moines, Iowa (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Bank, the Federal Reserve Bank of Chicago (the “Reserve Bank”), and the Iowa Division of Banking, Superintendent of Banking (the “Superintendent”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 31, 2009, the board of directors of the Bank, at a duly constituted meeting, adopted resolutions authorizing and directing Robert Grathwohl to enter into this Agreement on behalf of the Bank, and consenting to compliance with each and every provision

of this Agreement by the Bank, and its institution-affiliated parties, as defined in sections 3(u) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u)).

NOW, THEREFORE, the Bank, the Reserve Bank, and the Superintendent agree as follows:

### **Board Oversight**

1. Within 60 days of this Agreement, the board of directors shall submit to the Reserve Bank and the Superintendent a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s condition and maintain effective control over, and supervision of, the Bank’s senior management and major operations and activities, including but not limited to, the Bank’s credit administration and processes to reduce risks associated with credit concentrations; and

(b) the responsibility of the board of directors to monitor management’s adherence to approved Bank policies and procedures, and to require management to document exceptions thereto and to correct exceptions.

### **Concentrations of Credit**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan to strengthen the Bank’s identification, monitoring, and management of commercial real estate concentrations, including steps to reduce the level of concentrations. The plan shall be consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07-1) and, at a minimum, shall include the establishment of

concentration of credit risk tolerances by types of loan products, geographic locations, and other common risk characteristics or sensitivities, and stress testing of the commercial real estate portfolio.

### **Credit Risk Management**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan to strengthen credit risk management practices.

The plan shall, at a minimum, address, consider, and include:

- (a) Procedures to periodically review and revise risk exposure limits to address changes in market conditions and strategies to minimize credit losses;
- (b) procedures to ensure compliance with the Interagency Guidelines for Real Estate Lending Policies, Appendix C of Regulation H of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. Part 208, App. C), particularly with regard to supervisory loan-to-value limits;
- (c) procedures to ensure that the Bank collects all documentation necessary to enable the Bank to assess the borrower’s global cash flow and overall ability to repay the loan according to its terms, including processes for the identification and analysis of credit weaknesses, and requirements for the borrower to submit current financial statements and project status updates;
- (d) measures to appropriately identify and report credits that qualify as troubled debt restructure; and
- (e) measures to address the risk exposure from credits that exceed supervisory loan to value ratios, including but not limited to, procedures to ensure that such credits are

identified and reported to the board of directors, along with action plans to reduce the risk exposure.

### **Asset Improvement**

4. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, “loss” in the report of the examination of the Bank that commenced on March 9, 2009 (“Report of Examination”) or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified “doubtful” or “substandard” in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank’s board of directors. The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank’s interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank’s written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank’s interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together

with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

5. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$350,000, including other real estate owned ("OREO"), that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$350,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank and the Superintendent to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, extension report, and past due/non-accrual report.

#### **Allowance for Loan and Lease Losses**

6. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report

of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified “loss” unless otherwise approved in writing by the Reserve Bank and the Superintendent.

(b) Within 60 days of this Agreement, the Bank shall review and revise its allowance for loan and lease losses (“ALLL”) methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, and submit a description of the revised methodology to the Reserve Bank and the Superintendent. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank’s loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank’s loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income,

by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Audit**

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written internal audit program that shall, at a minimum, provide for:

- (a) The timely completion of risk assessments of all auditable areas of the Bank;
- (b) development and implementation of an audit schedule that takes into account the results of the risk assessments and the level of risk of each auditable area;
- (c) adequate staffing of the audit function by independent qualified staff;
- (d) timely resolution of audit findings and follow-up reviews to ensure completion of the corrective measures; and
- (e) periodic updates to the audit scope and work programs.

### **Capital Plan**

8. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent an acceptable written plan to maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the adequacy of the Bank's capital, taking into account the volume of classified assets, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings; and

(c) the source and timing of additional funds to fulfill the Bank's future capital requirements.

9. The Bank shall notify the Reserve Bank and the Superintendent, in writing, no more than 30 days after the end of any quarter in which any of the Bank's capital ratios (total risk-based, Tier 1, or leverage) fall below the plan's minimum ratios. Together with the notification, the Bank shall submit an acceptable written plan that details the steps the Bank will take to increase the Bank's capital ratios to or above the plan's minimums.

### **Strategic Plan and Budget**

10. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Superintendent a strategic plan to improve the Bank's earnings and overall condition and a budget for 2010 that shall, at a minimum, shall provide for or describe:

- (i) goals and strategies for improving the Bank's earnings;
- (ii) the responsibilities of the board of directors regarding the definition, approval, implementation, and monitoring of the strategic plan and budget;

- (iii) an identification of the major areas in, and means by which the board of directors and management shall seek to improve the Bank's earnings and operating performance;
- (iv) a realistic and comprehensive budget for the remainder of 2010, that includes the operating assumptions that form the basis for, and adequately support major projected income, expense, and balance sheet components.

(b) A strategic plan and budget for each calendar year subsequent to 2010 shall be submitted to the Reserve Bank and the Superintendent at least 30 days prior to the beginning of that calendar year.

### **Brokered Deposits**

11. (a) At all times during the term of this Agreement that the Bank is well capitalized, the Bank shall not accept any new brokered deposits. For purposes of this subparagraph, the term "brokered deposits" is defined as set forth in section 337.6(a) of the regulations of the Federal Deposit Insurance Corporation (the "FDIC") (12 C.F.R. § 337.6(a)) and includes deposits funded by third party agents or nominees for depositors; and the term "new brokered deposits" is defined not to include renewals or rollovers of brokered deposits.

(b) Within 30 days of this Agreement, the Bank shall submit an acceptable written plan to the Reserve Bank and the Superintendent for reducing its reliance on brokered deposits. The plan shall detail the current composition of the Bank's brokered deposits by maturity and explain the means by which such deposits will be paid at maturity.

12. The Bank shall comply with the provisions of section 29 of the FDI Act (12 U.S.C. § 1831f) and the FDIC's accompanying regulations at 12 C.F.R. § 337 that are

applicable to the Bank. The Bank shall notify the Reserve Bank and the Superintendent, in writing, if the Bank requests any waiver of the restrictions imposed by section 29 from the FDIC and shall notify the Reserve Bank and the Superintendent of the FDIC's disposition of any request for such a waiver.

### **Dividends**

13. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of Banking Supervision and Regulation of the Board of Governors, and the Superintendent.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323). All requests for prior written approval shall be received by the Reserve Bank and the Superintendent at least 30 days prior to the proposed dividend declaration date and shall contain, at a minimum, current and projected information on the Bank's earnings, capital, asset quality, and ALLL.

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

14. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

### **Compliance with the Agreement**

15. Within 30 days after the end of each calendar quarter following the date of this Agreement, the Bank's board of directors shall submit to the Reserve Bank and the Superintendent written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

### **Approval and Implementation of Plans and Programs**

16. (a) The Bank shall submit written plans and programs, that are acceptable to the Reserve Bank and the Superintendent within the applicable time periods set forth in paragraphs 2, 3, 5(a), 6(c), 7, 8, and 11(b) of this Agreement.

(b) Within 10 days of approval by the Reserve Bank and the Superintendent, the Bank shall adopt the approved plans and programs. Upon adoption, the Bank shall promptly implement the approved plans and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans and programs, shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Superintendent.

### **Communications**

17. All communications regarding this Agreement shall be sent to:

(a) Mr. Jeffrey A. Jensen  
Assistant Vice President  
Federal Reserve Bank of Chicago – Des Moines Office  
7601 Office Plaza Drive North, Suite 150  
West Des Moines, Iowa 50266

(b) Mr. Mike Stamper  
Bank Analyst  
Iowa Division of Banking  
200 East Grand, Suite 300  
Des Moines, Iowa 50309

(c) Mr. Robert Grathwohl  
Chief Executive Officer  
VisionBank of Iowa  
1704 S. Marshall  
P.O. Box 458  
Boone, Iowa 50036

### **Miscellaneous**

18. Notwithstanding any provision of this Agreement, the Reserve Bank and the Superintendent may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

19. The provisions of this Agreement shall be binding upon the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

20. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank and the Superintendent.

21. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Superintendent, or any other federal or state agency from taking any other action affecting the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

22. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

23. This Agreement is enforceable by the Superintendent under Iowa Code section 524.223.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 23rd day of October, 2009.

VISIONBANK OF IOWA

FEDERAL RESERVE BANK  
OF CHICAGO

By: /s/ Robert Grathwohl  
Robert Grathwohl  
Chief Executive Officer

By: /s/ Mark H. Kawa  
Mark H. Kawa  
Vice President

STATE OF IOWA  
SUPERINTENDENT OF BANKING

By: /s/ Thomas b. Gronstal  
Thomas B. Gronstal  
Superintendent of Banking