

OFFICE OF THRIFT SUPERVISION

Approval of Holding Company Application And Bank Merger Act Application

Order No.: 2010-08
Date: January 29, 2010
Docket Nos.: 15717, 18005,
H-3319, and H-4229

Liberty Banshares Iowa, Inc. (IA Banshares), W.A. Krause Revocable Trust (Trust), West Des Moines, Iowa (collectively, the Applicants), and Liberty F.S.B., West Des Moines, Iowa (Savings Bank) have applied to the Office of Thrift Supervision (OTS) for approval pursuant to section 10(e) of the Home Owners' Loan Act (HOLA), and the Bank Merger Act (BMA), 12 U.S.C. § 1828(c), and OTS regulations implementing these statutes, to acquire Liberty Bank, Naples, Florida (Institution), and to merge the Institution into the Savings Bank.

The Proposed Transaction

The Savings Bank is a wholly owned subsidiary of IA Banshares. The Trust is a savings and loan holding company by virtue of its ownership of shares of IA Banshares. The Institution is a wholly owned subsidiary of Liberty Banshares Florida, Inc., West Des Moines, Iowa (FL Banshares).

In the proposed transaction, the Applicants will acquire the Institution in a multi-step transaction. IA Banshares will form a wholly owned subsidiary company, Merger Sub. Merger Sub will merge with the FL Banshares, with FL Banshares as the surviving entity. Immediately thereafter, FL Banshares will be merged with and into IA Banshares, with IA Banshares as the surviving entity. Then, IA Banshares will cause the merger of the Institution with and into the Savings Bank with the Savings Bank as the surviving entity. IA Banshares has committed to infuse an additional \$10 million into the Savings Bank, as described more fully in materials submitted to OTS.

Holding Company Application

Section 10(e)(2) of the HOLA and the OTS regulations thereunder provide that in reviewing the proposed acquisition of a savings association by a savings and loan holding company, OTS must consider the managerial and financial resources and future prospects of the company and the associations involved, the effect of the acquisition on the associations, the insurance risk to the Deposit Insurance Fund (DIF), and the convenience

and needs of the community to be served. Consideration of the managerial resources of a company or savings association must include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company or savings association. OTS must consider the impact of any acquisition on competition. Also, 12 C.F.R. § 563e.29 requires that OTS take into account assessments under the Community Reinvestment Act (CRA) when approving holding company acquisitions.

As for managerial resources, OTS, in its role as the regulator of IA Banshares, the Trust, and the Savings Bank, is familiar with their managerial resources. The boards of directors and the executive officers of IA Banshares and the Savings Bank will consist of the present directors and executive officers of these entities. The trustee of the trust is a management official of IA Banshares and the Savings Bank. OTS concludes that the managerial resources of the Applicants and the Savings Bank are consistent with approval.

As for financial resources, OTS is familiar with the financial resources of IA Banshares and the Savings Bank. At September 30, 2009, the Savings Bank reported tangible, core, and total risk-based capital ratios of 8.61 percent, 8.61 percent, and 10.60 percent, respectively. The Savings Bank will continue to be "well capitalized" pursuant to the OTS Prompt Corrective Action regulation upon consummation of the transaction. Moreover, IA Banshares has committed to infusing an additional \$10 million in cash into the Savings bank, as described more fully in materials submitted to OTS. The Trust's financial resources are consistent with its activities. Based on the foregoing, OTS concludes that the financial resources of the Applicants and the Savings Bank are consistent with approval.

The Savings Bank is operating profitably and is projected to remain profitable after the proposed transaction. As discussed above, the managerial and financial resources of the parties are consistent with approval. Accordingly, OTS concludes that the future prospects of the Applicants and the Savings Bank, and the effect of the transaction on the DIF are consistent with approval.

As for the competitive impact of the transaction, the Savings Bank and the Institution operate in two separate geographic markets. Also, the same family group owns a controlling interest in both savings associations. Accordingly, OTS concludes that the transaction is not objectionable on competitive grounds.

As for the convenience and needs of the community, the Savings Bank will be assuming the operations of the Institution's existing offices and continuing services to the Institution's customers. Accordingly, OTS concludes that approval of the transaction is not objectionable based on convenience and needs.

As for the CRA, the most recent CRA rating of each savings association is "Satisfactory." OTS is imposing condition 5 to help ensure that the Savings Bank

continues to meet its CRA obligations. Accordingly, OTS concludes that approval is consistent with the CRA, subject to imposition of the noted condition.

Bank Merger Act

The BMA and OTS regulations impose approval standards that are substantially similar to the approval standards set forth under section 10(e) of the HOLA, which have been discussed previously. The BMA also requires that OTS consider the Savings Bank's and the Institution's records of compliance with anti-money laundering statutes in analyzing the BMA transaction. In addition, OTS must consider the CRA record of the Savings Bank and the Institution in evaluating the BMA application, and must also consider whether the transaction conforms to applicable laws, regulatory policies, and factors relating to fairness and disclosure.

As discussed above, OTS concludes that the Savings Bank's managerial and financial resources and future prospects are consistent with approval. The Savings Bank is well-capitalized and is expected to remain well-capitalized after the proposed merger.

For the reasons discussed above, the proposed transaction will have no significant effect on competition. Further, both savings associations have a "Satisfactory" CRA rating. OTS is imposing condition 5 to help ensure that the Savings Bank continues to meet its CRA obligations. With respect to convenience and needs of the community, the Savings Bank will continue to serve the Institution's customers. OTS concludes that the proposed transaction meets the convenience and needs of the community and is consistent with the CRA.

In addition, under 12 C.F.R. § 563.22, OTS must consider whether the proposed transaction is equitable to all of the parties, provides full disclosure of the agreements and understandings among the parties, meets regulatory guidelines regarding compensation to the officers, directors and controlling persons of the disappearing savings association, and meets certain guidelines for advisory boards.

The Institution received a fairness opinion that the transaction is fair to the Institution's shareholders. The majority of IA Banshares' shareholders have approved the transaction, and the majority of its shareholders who are not members of the control group also have approved the transaction. The applications and related materials provide adequate disclosure of the terms of the proposed transactions and the understandings of the parties to the proposed transaction. No advisory boards are being established in the proposed transaction.

As for compliance with money laundering statutes and regulations, OTS has reviewed the Savings Bank's Bank Secrecy Act (BSA) and anti-money laundering policies and believes the Savings Bank has adequate BSA and anti-money laundering policies and procedures in place. The Savings Bank's BSA and anti-money policies and procedures will be used for FL Bank's operations. The Institution received an acceptable

compliance rating in its most recent examination. Based on these considerations, OTS has concluded that anti-money laundering considerations are consistent with approval.

Public Notice and Comment

Because the proposed transaction is being undertaken and approved for supervisory reasons, pursuant to 12 C.F.R. § 574.6(g), OTS hereby waives the applicability of the public notice and comment procedures of 12 C.F.R. §§ 574.6(d) and 574.6(e). Based on the Institution's current financial condition, OTS concludes that there is a sufficient basis for OTS to waive the publication requirement set forth in the BMA and 12 C.F.R. § 563.22(e), and any waiting period for consummation of the transaction, and OTS hereby waives these requirements.

Conclusions


Based on the foregoing analysis, OTS concludes that the applications meet the applicable approval criteria. Accordingly, the applications are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director, or his designee (Regional Director):

1. IA Banshares, the Savings Bank, FL Banshares, and the Institution must receive all required regulatory and shareholder approvals and submit copies of such approvals to the Regional Director prior to the consummation of the proposed transaction;
2. Prior to the consummation of the proposed transaction, the chief financial officers of IA Banshares, the Savings Bank, FL Banshares, and the Institution must certify in writing to the Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of their respective entities as disclosed in the applications. If additional information having a material adverse bearing on any feature of the applications is brought to the attention of IA Banshares, the Savings Bank, FL Banshares, the Institution or OTS since the date of the financial statements submitted with the applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
3. IA Banshares and the Savings Bank must advise the Regional Director in writing within five calendar days after the effective date of the proposed holding company acquisition and merger: (a) of the effective date of the transaction; and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the applications, and this Order;

4. No later than 30 calendar days after the merger of the Institution with and into the Savings Bank, the Savings Bank must advise each accountholder, whose withdrawable accounts in the Savings Bank would increase above \$100,000 as a result of the merger, or whose uninsured balance would increase as a result of the merger, of the effect of the transaction on deposit insurance coverage, and submit a copy of such notice to the Regional Director; and
5. Within 30 days of the consummation of the proposed transaction, the Savings Bank must submit to the Regional Director a revised CRA Plan which includes the assessment areas currently serviced by the Institution.

The Regional Director may, for good cause, extend for up to 120 calendar days any time period set forth herein.

By order of the Acting Director of the Office of Thrift Supervision, or his designee, effective January 29, 2010.



Grovetta N. Gardineer
Managing Director
Corporate & International Activities