

UNITED STATES OF AMERICA  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

_____ )	
In the Matter of: )	
PREM NATH SAHAI )	
Institution-Affiliated )	Order No. MWR-97-04
Party of Mid-Iowa Savings )	Date: April 16, 1997
Bank, FSB, Newton, Iowa and )	
its Holding Company, Mid-Iowa )	
Financial Corporation, )	
and of Other Insured )	
Depository Institutions and )	
their Holding Companies )	
_____ )	

STIPULATION AND CONSENT TO ISSUANCE OF  
AN ORDER OF PROHIBITION

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, believes that grounds exist to initiate an administrative enforcement proceeding against Prem Nath Sahai ("Sahai"), pursuant to 12 U.S.C. § 1818(e)<sup>1</sup>; and

WHEREAS, Sahai desires to cooperate with the OTS and to avoid the time and expense of administrative litigation, and, without admitting or denying that such grounds exist, or that the Findings of Fact or opinions and conclusions of the OTS are correct, except that the Director of the OTS has

<sup>1</sup> All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

jurisdiction over him, which is admitted, Sahai hereby stipulates and agrees as follows:

1. Jurisdiction. (a) Mid-Iowa Savings Bank, FSB, Newton, Iowa, and its holding company, Mid-Iowa Financial Corporation (together "Mid-Iowa"); Home Federal Savings Bank, Sioux Falls, South Dakota, and its holding company, H.F. Financial Corporation (together "H.F. Financial"); Kirksville Federal Savings Bank, Kirksville, Missouri, and its holding company, Kirksville Bankshares, Inc. (together "Kirksville") and First Federal Savings Bank of Moline, Moline, Illinois, and its holding company, First Moline Financial Corporation (together "First Moline"), are, or were at all times relevant hereto, savings associations and insured depository institutions pursuant to 12 U.S.C. §§ 1467a(a)(1)(A) and 1813(b) and (c), or savings and loan holding companies and depository institution holding companies pursuant to 12 U.S.C. §§ 1467a(a)(1)(D) and 1813(w)(1) and (w)(3);

(b) Sahai is, or was at all times relevant hereto, an "institution-affiliated party" of Mid-Iowa, H.F. Financial, Kirksville and First Moline pursuant to 12 U.S.C. § 1813(u)(2); and

(c) The Director of the OTS is the "appropriate Federal banking agency", pursuant to 12 U.S.C. § 1813(q), to maintain an administrative enforcement proceeding against institution-affiliated parties of savings associations, insured depository institutions, savings and loan holding companies, and depository institution holding companies pursuant to 12 U.S.C. §§ 1467a(g),

1817(j), 1818(b)(9) and 1818(e). Therefore, Sahai is subject to the jurisdiction of the OTS to initiate and maintain a prohibition proceeding against him pursuant to 12 U.S.C. § 1818(e). The Director of the OTS has delegated to the Regional Director of the Midwest Region of the OTS, or his designee, ("Regional Director") the authority to issue administrative orders where the subject of such orders has consented to the issuance thereof.

2. OTS Findings of Fact. The OTS finds that:

(a) Control Act Violations

At all times relevant hereto, Sahai, acting together with others, was a "person" "acting in concert" pursuant to 12 C.F.R. § 574.2 of the OTS Control Regulations, 12 C.F.R. Part 574 (1992), which are issued by the OTS pursuant to the Change in Bank Control Act, 12 U.S.C. § 1817(j). Sahai, together with others acting along with him, is presumed to be acting in concert pursuant to 12 C.F.R. § 574.4(d), because, inter alia: (i) Sahai and certain of the individuals acting along with him are members of the same "immediate family" as defined in 12 C.F.R. § 574.2(j); and (ii) between September 1992 and March 1993, Sahai was "instrumental in obtaining financing for" certain of the individuals acting along with him to purchase stock in Mid-Iowa, H.F. Financial, Kirksville or First Moline, as set forth in 12 C.F.R. § 574.4(d)(3)(ii). Sahai never filed a rebuttal to the regulatory presumptions of concerted action pursuant to 12 C.F.R. § 574.4(e)(2).

Sahai, acting in concert with others, purchased Mid-Iowa stock in connection with Mid-Iowa's October 1992 initial public offering and, thereafter, in the secondary market. Mid-Iowa's August 12, 1992 Subscription and Community Offering Prospectus ("Mid-Iowa Prospectus") provided a detailed description of the Change in Bank Control Act and the attendant OTS Control Regulations, including, inter alia, the prohibition regarding beneficial ownership of 10% or more of a converting thrift institution's outstanding stock.

By the end of December 1992, Sahai, acting in concert with others, beneficially owned 21.16% of Mid-Iowa's total outstanding stock, thus exceeding the 10% threshold for rebuttable control set forth in 12 C.F.R. § 574.4(b)(i). Pursuant to 12 C.F.R. § 574.4(e)(1), Sahai, acting in concert with others, was required to file a rebuttal of control submission before acquiring more than 10% of Mid-Iowa's stock. Additionally, pursuant to 12 C.F.R. § 574.5(a), Sahai, acting in concert with others, was required to submit a certification of ownership upon exceeding the 10% stock ownership threshold. Sahai never filed a rebuttal of control determination or a certification of ownership.

By March 1993, Sahai, acting in concert with others, had increased his ownership interest to above 25% of Mid-Iowa's outstanding stock, thereby establishing his conclusive control of Mid-Iowa in violation of the Change in Bank Control Act and the related OTS Control Regulations, 12 U.S.C. § 1817(j)(8)(B)(Supp. IV 1992) and 12 C.F.R. § 574.4(a). Sahai, acting in concert with

others, continued to own more than 25% of Mid-Iowa's outstanding stock at least through the end of 1993.

At all times relevant hereto, Sahai, acting in concert with others, was subject to a control factor pursuant to 12 C.F.R. § 574.4(c) as one of the two largest holders of Mid-Iowa's common stock. Sahai, acting in concert with others, was also required to file a notice of change in control with the OTS pursuant to 12 U.S.C. § 1817(j) and 12 C.F.R. § 574.3. Sahai never submitted the requisite change in control notification, and never made a safe harbor filing with the OTS pursuant to 12 C.F.R. § 574.4(f). Sahai's failure to make the required filings with and to obtain the required approvals from the OTS constituted a violation of 12 U.S.C. § 1817(j) and 12 C.F.R. § 574.3, which govern the acquisition of control of a savings and loan holding company.

Sahai, as a knowledgeable investor in thrift stocks and a principal investment advisor to the individuals with whom he was acting in concert, knew or should have known that OTS approval was required in each instance where his beneficial ownership of Mid-Iowa, H.F. Financial, Kirksville and First Moline exceeded the 10% legal limit. Sahai knew about the existence and relevance of the OTS Control regulations at least as of October 1992. At that time, Sahai executed a sworn affidavit in connection with Mid-Iowa's initial public offering stating that he was not acting in concert, pursuant to the OTS Control Regulations, with any other purchaser of Mid-Iowa stock. Thereafter, Sahai failed to fully and fairly disclose to the OTS the extent of his beneficial ownership, and that of others with

whom he was acting in concert, in Mid-Iowa, H.F. Financial, Kirksville and First Moline. In 1993, Sahai, acting through legal counsel, made misrepresentations to the OTS regarding the Mid-Iowa stock ownership of himself and others acting in concert with him. By virtue of Sahai's violations of the Change in Bank Control Act and OTS Regulations, Sahai received financial gain or other benefit and demonstrated willful or continuing disregard for the safety and soundness of Mid-Iowa.

From September 1992 to at least until May 1994, Sahai, acting in concert with others, beneficially owned more than 10% of the outstanding shares of H.F. Financial, Kirksville or First Moline, thus exceeding the regulatory threshold for rebuttable control set forth in 12 C.F.R. § 574.4(b)(i). Pursuant to 12 C.F.R. § 574.4(e)(1), Sahai, acting in concert with others, was required to file a rebuttal of control submission before acquiring more than 10% of the stock of H.F. Financial, Kirksville or First Moline. Additionally, pursuant to 12 C.F.R. § 574.5(a), Sahai, acting in concert with others, was required to file with the OTS a certification of ownership upon acquiring beneficial ownership in excess of 10% of any class of H.F. Financial, Kirksville or First Moline stock. Sahai never filed a rebuttal of control determination or a certification of ownership. Further, Sahai was required to -- and failed to -- file a notice of change in control pursuant to 12 C.F.R. § 574.3.

(b) OTS Mutual to Stock Conversion Regulation Violation

In exceeding the 10% beneficial ownership threshold with respect to Mid-Iowa, Sahai, acting in concert with others, also

violated 12 C.F.R. § 563b.3 (1992) regarding the acquisition of stock within three years of a thrift's conversion from mutual to stock form of ownership, which restriction was clearly described in the Mid-Iowa Prospectus. As a deposit accountholder at Mid-Iowa's converting thrift subsidiary, Sahai acknowledged receipt of the Mid-Iowa Prospectus in connection with his application to purchase Mid-Iowa stock through the exercise of subscription rights

3. Consent. Sahai consents to the issuance by the OTS of the accompanying Order of Prohibition ("Order"). Sahai further agrees to comply with the terms and conditions of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued by the OTS pursuant to 12 U.S.C. § 1818(e). Upon its issuance, the Order shall be final, effective and fully enforceable by the OTS under the provisions of federal law, including but not limited to 12 U.S.C. § 1818(i)(1).

5. Waivers. Sahai, for purposes of this enforcement proceeding, waives:

(a) the right to be served with a written notice of charges and the right to an administrative hearing of those charges, as provided by 12 U.S.C. § 1818(e);

(b) the right to seek judicial review of the Order, including without limitation, any such right provided by 12

U.S.C. § 1818(h), and the right otherwise to challenge the validity of the Order; and

(c) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses arising under the common law or under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412.

6. Indemnification. Sahai represents that he has not received, directly or indirectly, any sums from Mid-Iowa, H.F. Financial, Kirksville or First Moline (or any current or successor institution, holding company or subsidiary thereof) for the purpose of indemnifying or reimbursing him for any expenses incurred by him in connection with this OTS enforcement action. Sahai shall neither cause nor allow Mid-Iowa, H.F. Financial, Kirksville or First Moline (or any current or successor institution, holding company or subsidiary thereof), to incur, directly or indirectly, any expense for any legal or other professional expenses incurred relative to the negotiation and issuance of the accompanying Order, nor obtain any indemnification or other reimbursement from Mid-Iowa, H.F. Financial, Kirksville or First Moline (or any current or successor institution, holding company or subsidiary thereof) with respect to such expenses. In the event that any such indemnification or other reimbursement payments are received by or on behalf of Sahai in connection with this OTS enforcement action, Sahai agrees to promptly notify the OTS of the receipt of such payments and to return such payments without delay to Mid-

Iowa, H.F. Financial, Kirksville or First Moline (or any current or successor institution, holding company or subsidiary thereof).

7. Other Government Actions Not Affected. Sahai

acknowledges and agrees that his consent to the entry of the Order is for the purpose of resolving matters pertaining to Paragraph 2, above, and does not release, discharge, compromise, settle, dismiss, resolve or in any way affect any administrative, civil or criminal actions, allegations or charges against, or liability of Sahai that may be or have been brought by the OTS or any other government agency or entity on any matters other than those noted in Paragraph 2, above.

8. Representation as to Thrift Stock Ownership and Disgorgement of Profits. Sahai understands that, as part of this settlement, the OTS has relied in part on Sahai's representations concerning his stock ownership in Mid-Iowa, H.F. Financial, Kirksville and First Moline (or any current or successor institution, holding company or subsidiary thereof), as set forth in the attached Declaration. In the event that any information included in the attached Declaration is found to be materially false or misleading, the OTS, in the exercise of its discretion, reserves the right to take any action authorized by law, including but not limited to: (i) assessing additional civil money penalties pursuant to 12 U.S.C. §§ 1467a(i)(2) and (i)(3), 1817(j)(16) and 1818(i)(2); and/or (ii) requiring the disgorgement of any additional profits with respect to Sahai's stock ownership in Mid-Iowa, H.F. Financial, Kirksville and First

Moline (or any current or successor institution, holding company or subsidiary thereof).

9. Acknowledgment of Criminal Sanctions. Sahai acknowledges that 12 U.S.C. § 1818(j) sets forth criminal penalties for knowing violation of the Order.

10. Miscellaneous.

(a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

(c) The section and paragraph headings in this Stipulation and in the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order.

(d) The terms of this Stipulation represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.

(e) This Stipulation and the Order shall remain in effect until lawfully terminated, modified, or suspended by a formal written action of the OTS, acting by and through its Director, Regional Director or other authorized representative.

WHEREFORE, intending to be legally bound hereby, Sahai executes this Stipulation and Consent to Issuance of an Order of Prohibition.

Signed:



PREM NATH SAHAI

Accepted by:

OFFICE OF THRIFT SUPERVISION



FREDERICK R. CASTEEL  
Regional Director  
Midwest Region

Dated:

April 3/97

Dated:

4-16-97

DECLARATION MADE PURSUANT TO 28 U.S.C. § 1746

1. I, Prem Nath Sahai, am over 18 years of age, have legal capacity to make this declaration and make it based upon my personal knowledge.

2. Members of my immediate family and I (to include my sons, their professional corporation and wives, and my wife - hereafter, the "Sahai family") utilized Dougherty & Company, at all times relevant hereto, to prepare our federal and state income tax returns. Based on my personal review of copies of federal income tax returns prepared by Dougherty & Company and filed with the Internal Revenue Service, U.S. Department of the Treasury ("IRS") as well as source documents supporting aggregate figures so reported to the IRS, I declare that:

a. the Sahai family reported income in 1992, 1993, 1994 and 1995 which arose from its trading activity in certain common stock issued by savings and loan holding companies;

b. such income was composed of capital gains and losses;

c. the "specific identification" method of inventory accounting was consistently applied in calculating the foregoing gains and losses; and

d. the net amount of the gains and losses attributable to ownership interests allegedly held in violation of the Change in Bank Control Act, 12 U.S.C. § 1817(j), and Office of Thrift Supervision ("OTS") Regulations, as set forth in OTS Order No. MWR-97-05 such as are necessary in the opinion of the OTS to bring the Sahai family into compliance with said statute and regulations, totals not more than \$223,560.00 and is composed of income arising from the trading of the following stocks:

- (i) Mid-Iowa Financial Corporation ("MIFC")
- (ii) First Moline Financial Corporation ("FMFC")
- (iii) Kirksville Bancshares ("KFSB")
- (iv) HF Financial Corporation ("HFFC").

3. Desiring to cooperate with the OTS, U.S. Department of the Treasury, and to avoid the time and expense of administrative litigation, I further declare that:

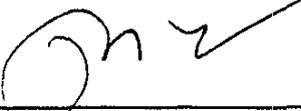
a. prior to the execution of this declaration, the Sahai family has sold MIFC stock sufficient to bring the total MIFC ownership interest of the Respondents to OTS Order No. MWR-97-05 to less than 10% of the outstanding shares of common stock of MIFC;

b. prior to the execution of this declaration, FMFC and KFSB were acquired by other depository institution holding companies. Such acquisitions were financed by the issuance of additional shares of the acquirors' common stock. The total ownership interest of the respondents to OTS Order No. MWR-97-05 in each acquiror's common stock is less than 10% of the outstanding shares; and,

c. within ten calendar days of the issuance of the OTS's Order to Cease and Desist for Affirmative Relief and Order of Assessment of Civil Money Penalties, the Sahai family shall contribute sufficient HFFC shares to a public charity so as to bring the total HFFC ownership interest of the respondents to OTS Order No. MWR-97-05 to less than 10% of the outstanding shares of common stock of HFFC.

4. I make this declaration pursuant to 28 U.S.C. § 1746 and with full and complete knowledge that the OTS is acting in reliance on its truthfulness.

5. I declare under penalty of perjury that the foregoing is true and correct. Executed on this 2nd day of April, 1997.

  
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PREM NATH SAHAI

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UNITED STATES OF AMERICA  
OFFICE OF THRIFT SUPERVISION  
DEPARTMENT OF THE TREASURY

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In the Matter of: )  
)  
)

PREM NATH SAHAI )  
)

Institution-Affiliated )  
Party of Mid-Iowa Savings )  
Bank, FSB, Newton, Iowa and )  
its Holding Company, Mid-Iowa )  
Financial Corporation, )  
and of Other Insured )  
Depository Institutions and )  
their Holding Companies )  
\_\_\_\_\_ )

OTS Order No. MWR-97-04

Date: April 16, 1997

ORDER OF PROHIBITION

WHEREAS, Prem Nath Sahai ("Sahai") has executed a Stipulation and Consent to Issuance of an Order of Prohibition ("Stipulation"); and

WHEREAS, Sahai, by his execution of the Stipulation, has consented and agreed to the issuance of this Order of Prohibition ("Order") by the Office of Thrift Supervision ("OTS"), pursuant to Section 8(e) of the Federal Deposit Insurance Act ("FDIA"), 12 U.S.C. § 1818(e)<sup>1</sup>.

NOW THEREFORE, IT IS ORDERED THAT:

1. In accordance with 12 U.S.C. § 1818(e)(6), Sahai is

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<sup>1</sup>All references to the United States Code ("U.S.C.") are as amended, unless otherwise indicated.

prohibited from further participation, in any manner, in the conduct of the affairs of Mid-Iowa Savings Bank, FSB, Newton, Iowa, and its holding company, Mid-Iowa Financial Corporation (together "Mid-Iowa"); Home Federal Savings Bank, Sioux Falls, South Dakota, and its holding company, H.F. Financial Corporation (together "H.F. Financial"); Kirksville Federal Savings Bank, Kirksville, Missouri, and its holding company, Kirksville Bankshares, Inc. (together "Kirksville") and First Federal Savings Bank of Moline, Moline, Illinois, and its holding company, First Moline Financial Corporation (together "First Moline"), including any successor institution, holding company, subsidiary, and/or service corporation thereof.

2. Without limitation, due to the operation of 12 U.S.C. §§ 1818(e)(6) and 1818(e)(7), Sahai shall not, except upon the prior written consent of the OTS (acting through its Director or an authorized representative thereof) and, for purposes of 12 U.S.C. § 1818(e)(7)(B)(ii), any other "appropriate Federal financial institutions regulatory agency":

(A) hold any office in or participate in any manner in the conduct of the affairs of any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A) ("Paragraph (7)(A) Institutions"), including but not limited to:

- (i) any insured depository institution, e.g. savings and loan associations, savings banks, national banks, trust companies and other banking institutions;

- (ii) any institutions treated as an insured bank under 12 U.S.C. §§ 1818(b)(3) and (b)(4) or as a savings association under 12 U.S.C. § 1818(b)(9), e.g. subsidiaries and holding companies of banks or savings associations;
- (iii) any insured credit union under the Federal Credit Union Act, 12 U.S.C. § 1751 et seq.;
- (iv) any institution chartered under the Farm Credit Act of 1971, 12 U.S.C. § 2001 et seq.;
- (v) any appropriate Federal financial institutions regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(D); and
- (vi) the Federal Housing Finance Board and any Federal Home Loan Bank.

(B) solicit, procure, transfer, attempt to transfer, vote or attempt to vote any proxy, consent or authorization with respect to any voting rights in any of the Paragraph (7)(A) Institutions;

(C) violate any voting agreement previously approved by the "appropriate Federal banking agency" as defined in 12 U.S.C. § 1813(q); or

(D) vote for a director or serve or act as an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u), e.g. a director, officer, employee, controlling stockholder of or agent for an insured depository institution.

3. The Stipulation is made a part hereof and is hereby incorporated by reference.

4. This Order is subject to the provisions of Section 8(j) of the FDIA, 12 U.S.C. § 1818(j).

5. Sahai shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

6. This Order is effective upon the date of issuance as shown in the caption hereof. This Order shall remain in effect until it is terminated, modified or suspended by a formal written action of the OTS, acting by and through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: *FR Casteel*  
FREDERICK R. CASTEEL  
Regional Director  
Midwest Region