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7 Attorneys for the Complainant

8 BEFORE THE DEPARTMENT OF BUSINESS OVERSIGHT  
9 OF THE STATE OF CALIFORNIA

10	In the Matter of:	)	STIPULATION TO ENTRY OF
11		)	DESIST AND REFRAIN ORDER
12	THE COMMISSIONER OF BUSINESS	)	
13	OVERSIGHT	)	
14	Complainant,	)	
15	v.	)	
16	HILLS BANCORPORATION,	)	
17	Respondent.	)	
18		)	

19 This Stipulation to Desist and Refrain Order (Stipulation) is entered into between the  
20 Commissioner of Department of Business Oversight (Department) and Hills Bancorporation  
21 (Respondent) (collectively the Parties). This Stipulation is made with respect to the following facts:

22 **RECITALS**

23 A. The Department has jurisdiction over the offer and sale of securities in this state  
24 pursuant to the Corporate Securities Law of 1968 (Corp. Code, § 25000 et seq.) (CSL).

25 B. Hills Bancorporation is a registered bank holding company that wholly owns Hills  
26 Bank and Trust Company (Bank), which engages in commercial banking. Its principal place of  
27 business is 131 East Main Street, Hills, Iowa 52235.  
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1 C. In a 2011 offering, Respondent sold 1,320 shares of common stock to six California  
2 residents at the offering price of \$63.00 per share (California Sales). The purpose of the offering  
3 was to further capitalize the Bank, to allow for periodic repurchases of common stock to create  
4 liquidity for shareholders as necessary, for working capital and other general corporate purposes, and  
5 to fund potential future acquisition opportunities.

6 D. The California Sales were offered or sold in this state in issuer transactions. The  
7 Department of Business Oversight had not issued a permit or other form of qualification authorizing  
8 any person to offer or sell these securities in this state pursuant to the CSL.

9 E. It is the intention and desire of the Parties to resolve this matter without the necessity  
10 of a hearing or other litigation.

#### 11 **TERMS AND CONDITIONS**

12 1. Desist and Refrain Order. Respondent agrees to issuance of a Desist and Refrain  
13 Order under CSL section 25110 (Order) directing Hills Bancorporation to desist and refrain from the  
14 further offer or sale of securities in California, unless and until qualification has been made or unless  
15 said offers and sales are otherwise exempt, under the CSL. A true and correct copy of the Order is  
16 attached hereto and incorporated herein by reference as **Exhibit 1**.

17 2. Waiver of Hearing Rights. Respondent waives the right to any hearing, including that  
18 provided by CSL sections 25532, subdivision (d), and 25609. Further, Respondent waives any and  
19 all review by a court of law, including that provided by California Government Code section 11523.

20 3. Future Offerings. Respondent agrees that any and all future offerings will be  
21 conducted pursuant to a valid permit or other form of qualification issued by the Department, unless  
22 otherwise exempt, under the CSL.

23 4. Exemption Notices. Respondent agrees to timely file any exemption notices upon  
24 which it may rely in any future offer or sale of securities in California.

25 5. Final Order. Respondent agrees to the finality of the Order. Respondent further  
26 stipulates that the Order remains in effect and is public, and that Respondent shall not make any  
27 statement or representation that is inconsistent with this Stipulation or the Order.  
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1           6.     Voluntarily Entered. Respondent enters into this Stipulation voluntarily and without  
2 coercion and acknowledges that no promises, threats or assurances have been made by the  
3 Commissioner or any officer, or agent thereof, about this Stipulation.

4           7.     Order Enforcement. Respondent agrees that this Stipulation shall not limit the ability  
5 of the Commissioner to bring any administrative or civil action to enforce compliance with the Order  
6 attached hereto or seek penalties for its violation.

7           8.     Future Action. Respondent agrees that this Stipulation does not prevent the  
8 Commissioner from taking future action in regards to this matter.

9           9.     Commissioner's Duties. Respondent agrees and acknowledges that nothing in this  
10 Stipulation shall preclude the Commissioner or her agents, officers, or employees, to the extent  
11 authorized by law, from referring any evidence or information regarding this matter to any other  
12 state or federal law enforcement official, or from assisting, cooperating, or co-prosecuting with  
13 regards to any investigation and/or action.

14           10.    Binding. The Parties agree that this Stipulation is binding on the Department and  
15 Respondent, but does not bind any federal or other state agencies or any other law enforcement  
16 agencies.

17           11.    Waiver. The waiver of any provision of this Stipulation shall not operate to waive  
18 any other provision set forth herein, and any waiver, amendment or change to the terms of this  
19 Stipulation must be in writing and signed by the parties.

20           12.    Full Integration. This Stipulation is the complete and exclusive statement of all the  
21 agreements, conditions, promises, representations, and covenants between Respondent and the  
22 Commissioner with respect to the subject matter hereof, and supersedes all prior or contemporaneous  
23 agreements, negotiations, representations, understandings, and discussions between and among the  
24 Parties, their respective representatives, and any other person or entity with respect to the subject  
25 matter covered hereby.

26           13.    Effective Date. This Stipulation shall not become effective until signed by all parties  
27 and delivered by the Commissioner's counsel by certified mail to the Respondent.  
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14. Certified Mail. Respondent agrees that the delivery via certified mail of the executed Stipulation and Order to Respondent shall constitute valid service of the Stipulation and Order.

15. Counterparts. This Stipulation may be executed in one or more counterparts, each of which shall be an original but all of which, together, shall be deemed to constitute a single document. A faxed signature shall be deemed the same as an original signature.

16. Independent Legal Advice. The Parties represent, warrant, and agree that they have received independent advice from their attorneys or representatives with respect to the advisability of executing this Stipulation.

17. Headings and Governing Law. The headings to the paragraphs of this Stipulation are inserted for convenience only and will not be deemed a part hereof or affect the construction or interpretation of the provisions hereof.

18. Settlement Authority. Each signator covenants that he or she possesses all necessary capacity and authority to sign and enter into this Stipulation.

JAN LYNN OWEN  
Commissioner Business Oversight

Dated: 3/7/17

By: \_\_\_\_\_  
Mary Ann Smith  
Deputy Commissioner, Enforcement Division

HILLS BANCORPORATION

Dated: 3/7/17

By: \_\_\_\_\_  
Shari J. DeMaris  
CFO & Corporate Secretary