

SECURITIES AND EXCHANGE COMMISSION

FORM PRE 14A

Preliminary proxy statement not related to a contested matter or merger/acquisition

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FILER

INVESTORS BANK CORP

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SIC: **6022** State commercial banks

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MINNEAPOLIS MN 55391

Business Address
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WAYZATA MN 55391
6124758720

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO. _____)

Filed by the Registrant [X]
Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to Section 240.14a-11(c)
or Section 240.14a-12

Investors Bank Corp.

(Name of Registrant as Specified in its Charter)

N/A

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

- \$125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), or 14a-6(j)(2).
 \$500 per each party to the controversy pursuant to Exchange Act Rule
14a-6(i)(3).
 Fee computed on table below per Exchange Act Rule 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed
pursuant to Exchange Act Rule 0-11*/:

(4) Proposed maximum aggregate value of transaction:

*/ Set forth the amount on which the filing fee is calculated and state
how it was determined.

- Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a)(2) and identify the filing for which the offsetting fee was paid
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or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

P R E L I M I N A R Y

INVESTORS BANK CORP.
200 EAST LAKE STREET
WAYZATA, MINNESOTA 55391

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 3, 1994

TO THE SHAREHOLDERS OF INVESTORS BANK CORP.:

Notice is hereby given that the Annual Meeting of Shareholders of Investors Bank Corp. (the "Company") will be held on Tuesday, May 3, 1994, at the Minneapolis Club, 729 Second Avenue South, Minneapolis, Minnesota at 3:30 p.m., Minneapolis, Minnesota time, for the following purposes:

1. To elect two directors to serve on the Board of Directors until the annual meeting of shareholders to be held in 1997;
2. To approve an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock, \$.01 par value, from 5,000,000 to 10,000,000 shares;
3. To approve the adoption of a 1993 Stock Incentive Plan; and
4. To consider and act upon any other matters that may properly come before the meeting or any adjournments thereof.

Only holders of record of the Company's Common Stock at the close of business on March 23, 1994 will be entitled to receive notice of and to vote at the meeting or any adjournment thereof.

You are cordially invited to attend the meeting. WHETHER OR NOT YOU PLAN TO BE PERSONALLY PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. If you later desire to revoke your proxy, you may do so at any time before it is exercised.

BY ORDER OF THE BOARD OF DIRECTORS

John G. Lohmann, Jr., Secretary

Minneapolis, Minnesota
April 1, 1994

IMPORTANT - PLEASE MAIL YOUR PROXY CARD PROMPTLY

IN ORDER THAT THERE MAY BE A PROPER REPRESENTATION
AT THE MEETING, YOU ARE URGED, WHETHER YOU OWN ONE
SHARE OR MANY, TO COMPLETE, SIGN AND MAIL YOUR PROXY.

P R E L I M I N A R Y

INVESTORS BANK CORP.
200 EAST LAKE STREET
WAYZATA, MINNESOTA 55391

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
May 3, 1994

This Proxy Statement is furnished in connection with the solicitation of the enclosed proxy by the Board of Directors of Investors Bank Corp. (the "Company") for use at the Annual Meeting of Shareholders to be held on May 3, 1994, at 3:30 p.m. Minneapolis time, at the Minneapolis Club, 729 Second Avenue South, Minneapolis, Minnesota, and any adjournments thereof (the "Annual Meeting"). Expenses in connection with the solicitation of proxies will be paid by the Company. Proxies are being solicited primarily by mail, but, in addition, officers and regular employees of the Company who will receive no additional compensation for their services may solicit proxies by telephone, telegraph or in person. This Proxy Statement and form of proxy enclosed are being mailed to shareholders on or about April 1, 1994.

Those shares of the Company's Common Stock, \$.01 par value (the "Common Stock"), represented by proxies in the form solicited will be voted in the manner directed by the holder of such shares, and, if no direction is made, such shares will be voted for the election of the nominees for director named in this Proxy Statement and for the approval of the other proposals discussed herein. If a shareholder abstains from voting as to any matter, then the shares held by such shareholder shall be deemed present at the meeting for purposes of determining a quorum and for purposes of calculating the vote with respect to such matter, but shall not be deemed to have been voted in favor of such matter.

If a broker returns a "nonvote" proxy, indicating a lack of authority to vote on such matter, then the shares covered by such nonvote shall be deemed present at the meeting for purposes of determining a quorum but shall not be deemed to be represented at the meeting for purposes of calculating the vote with respect to such matter. Proxies may be revoked at any time before being exercised by delivery to the Secretary of the Company of a written notice of termination of the proxies' authority or a duly executed proxy bearing a later date.

A copy of the Company's Annual Report for the year ended December 31, 1993 is being furnished to each shareholder with this Proxy Statement.

Only the holders of the Common Stock whose names appear of record on the Company's books at the close of business on March 23, 1994 will be entitled to vote at the Annual Meeting. At the close of business on March 23, 1994, a total of 3,425,563 shares of such Common Stock were outstanding, each share being entitled to one vote. The Company declared a dividend of one share for every three shares held, effective December 31, 1993, for shareholders of record as of December 1, 1993, and all references to shares in this Proxy Statement reflect this dividend.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 1, 1994, information about the ownership of Common Stock by each director, by each executive officer named in the Summary Compensation Table and by all directors and executive officers (including the named individuals) as a group and by any other shareholder who is known by the Company to own beneficially more than 5% of the outstanding Common Stock of the Company. Except as otherwise indicated, the shareholders listed in the table have sole voting and investment powers with respect to the shares indicated.

<TABLE>
<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	
	NUMBER (1)	PERCENT
<S>	<C>	<C>
James M. Burkholder 200 East Lake Street Wayzata, Minnesota 55391	260,912 (1)	7.5%
John G. Lohmann, Jr. 200 East Lake Street Wayzata, Minnesota 55391	268,728 (2)	7.7%
E. Thomas Binger 5775 Wayzata Boulevard St. Louis Park, Minnesota 55416	209,025 (3)	6.1%
George Maas P.O. Box 7 Watertown, South Dakota 57201	178,000	
First Bank System, Inc. 601 Second Avenue South Minneapolis, MN 55402-4302	177,909 (4)	5.2%
Alice D. Mortenson	57,464 (5)	1.7%
Graham N. Heikes	19,997 (6)	*
Leonard E. Brown	17,331 (7)	*
Daniel A. Arrigoni	35,824 (8)	1.0%
Lynn V. Buelstel	66,464 (9)	1.9%
All directors and executive officers as a group (9 persons)	1,113,745 (10)	30.5%

<FN>
* Less than 1%.

</TABLE>

<TABLE>

<S> <C>

- (1) Includes 22,261 shares held in the Company's 401(k) plan as of September 30, 1993, 58,999 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days and 31,389 shares subject to Restricted Stock Agreements and certain forfeiture provisions.
- (2) Includes 21,124 shares held in the Company's 401(k) plan as of December 31, 1993, 58,000 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days, 2,044 shares held in a custodial account for such officer and director's children of which such officer and director is custodian, 933 shares held by such officer and director's spouse and 31,389 shares subject to Restricted Stock Agreements and certain forfeiture provisions.
- (3) Includes 3,999 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days.
- (4) Based on information in a Schedule 13G Report dated February 10, 1994, delivered to the Company and indicating that First Bank Systems is the beneficial owner of such shares. Includes 169,792 shares for which First Bank System, Inc. exercises sole dispositive power and 6,696 shares for which it exercises shared dispositive power. Such shares are held by the banking affiliates of such entity in a fiduciary capacity on behalf of various customers.
- (5) Includes 13,331 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days and 24,800 shares held by such director's spouse.
- (6) Includes 13,331 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days and 2,000 shares purchasable upon exercise of warrants.
- (7) Includes 15,998 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days.
- (8) Includes 758 shares held in the Company's 401(k) plan as of September 30, 1993, 16,666 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days and 10,400 shares purchasable upon exercise of exercisable warrants.
- (9) Includes 15,649 shares held in the Company's 401(k) plan as of September 30, 1993, 13,033 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days, 1,999 shares purchasable upon exercise of warrants and 2,000 shares subject to a Restricted Stock Agreement and subject to forfeiture.
- (10) Includes 59,792 shares held in the Company's 401(k) plan as of December 31, 1993, 206,390 shares purchasable upon exercise of options currently exercisable or options which become exercisable within 60 days, 14,399 shares purchasable upon exercise of warrants, 2,044 shares held in a custodial account for children of an officer and director, 64,778 shares subject to Restricted Stock Awards, and 25,733 shares held by the spouses of officers and directors.

</TABLE>

The Company also has outstanding 303,640 shares of Cumulative Perpetual Preferred Stock, Series 1991, a non-voting, nonparticipating preferred stock. None of the executive officers or directors held any shares of such series of preferred stock as of February 1, 1994, except Mr. Burkholder who held 60 shares through an IRA account and whose spouse held 500 shares directly and 60 shares through an IRA account.

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Under federal securities laws, the Company's directors and officers, and any beneficial owner of more than 10% of a class of equity securities of the Company, are required to report their ownership of the Company's equity securities and any changes in such ownership to the Securities and Exchange Commission (the "Commission") and the securities exchange on which the equity securities are registered. Specific due dates for these reports have been established by the Commission, and the Company is required to disclose in this Proxy Statement any delinquent filing of such reports and any failure to file such reports during the fiscal year ended December 31, 1993. All of the required reports were timely filed by each of the directors and officers of the Company during 1993.

ELECTION OF DIRECTORS

NOMINEES

Approximately one-third of the directors are elected at each annual meeting of shareholders and serve for terms of three years or until their successors are elected and qualified. Accordingly, directors whose terms are scheduled to expire at the annual meeting of shareholders in 1994 will be scheduled for reelection at the meeting to be held May 3, 1994.

Two persons have been nominated for election to the Company's Board of Directors at the Annual Meeting for terms expiring in 1997. James M. Burkholder has been a director since the Company's formation in 1983 and Leonard E. Brown has been a director since 1988. Should any nominee for director become unavailable for any reason, the proxies will be voted in accordance with the best judgment of the persons named therein. The Board of Directors has no reason to believe that any nominee will be unavailable.

The following information is furnished with respect to each nominee and director as of February 1, 1994:

NAME	AGE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE FOR PAST FIVE YEARS
NOMINEES -TERM EXPIRING 1997		
James M. Burkholder	51	President and Chief Executive Officer of the Company and Investors Bank, F.S.B. since September 1990 and Chairman since December 1990. Executive Vice President and Chief Financial Officer of the Company and Investors Savings Bank, F.S.B. from 1983 to September 1990.

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Leonard E. Brown	59	Partner with the accounting firm of KPMG Peat Marwick, Minneapolis, Minnesota for over five years until his retirement in August 1988. Member of the Board of Directors of Gate City Federal Savings Bank, Fargo, North Dakota and Brainerd Savings and Loan Association, Brainerd, Minnesota.
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INCUMBENT DIRECTORS -TERM EXPIRING 1995

John G. Lohmann, Jr.	54	Executive Vice President and Secretary of the Company and Executive Vice President, Chief Lending Officer and Secretary of Investors Savings Bank, F.S.B. since 1983.
Graham N. Heikes	57	Sole practitioner since January 1994. Partner with Rice & Heikes, Ltd., a law firm he founded, from October 1989 to January 1994. Partner with the law firm of Jardine, Logan & O'Brien, St. Paul, Minnesota for over five years prior thereto.
George E. Maas	56	Director of Simon-Telelect Inc. ("Simon-Telelect"). Chairman of the Board of Directors of Simon-Telelect from 1991 to 1993, and President of Simon-Telelect from 1979 to 1991.

INCUMBENT DIRECTORS - TERM EXPIRING 1996

Alice D. Mortenson	54	Director of Community Relations of M.A. Mortenson Co., a construction company, since 1989. Trustee of Westminister Presbyterian Church. Member of the Board of Directors of Courage Center, Dunwoody Institute and the Greater Minneapolis Council of Churches. Homemaker and community volunteer for at least five years.
E. Thomas Binger	71	General Partner in Pittsburgh Pacific

Company, Ltd., a general partnership with interests in the iron ore business, since 1970. Member of the Board of Directors of MTS Systems Corp. and Bemis Company Inc.

During the fiscal year ended December 31, 1993, the Board of Directors of the Company held ten meetings. All incumbent directors attended at least 75% of the meetings of the Board, and all incumbent directors attended at least 75% of those meetings of the committees of which they were members. The Company's Board of Directors and committees also act from time to time by written action in lieu of meetings.

The Board of Directors of the Company has an audit committee which met three times, an executive committee which met two times and a compensation committee which met four times during

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the fiscal year ended December 31, 1993. The audit committee reviews the Company's arrangements with its auditors, the substance of the audits, and interested party transactions. Messrs. Heikes, Maas and Brown (who is also the chairperson) serve on the audit committee. The executive committee, composed of Messrs. Burkholder, Lohmann and Binger, may exercise the power of the Board of Directors on many matters between board meetings. The Company's compensation committee, composed of Messrs. Brown, Binger and Heikes and Ms. Mortenson, establishes policy regarding executive compensation, specifically reviews and approves the compensation to the Company's two principal executive officers, reviews overall compensation policy, and administers the Company's stock incentive plans. The Board of Directors has no standing nominating committee. Each of the directors of the Company also serves as a director of Investors Savings Bank, F.S.B., a wholly owned subsidiary of the Company (the "Bank") and serves on similar committees with the Bank.

For fiscal year 1993, the directors of the Company (other than executive officers) were compensated at a rate of \$12,000 plus \$500 per Board meeting attended, \$250 per committee meeting associated with a Board meeting and \$500 per committee meeting not associated with a Board meeting. With the exception of annual grants (on July 1 of each year) of nonqualified stock options to purchase 2,000 shares of common stock of the Company at fair market value, directors who are not officers or employees receive no other compensation from the Company.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS ELECT THE NOMINEES NAMED HEREIN TO THE TERMS AS DIRECTORS OF THE COMPANY DESCRIBED ABOVE. THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE THE PROXIES HELD BY THEM IN FAVOR OF SUCH NOMINEES, UNLESS OTHERWISE DIRECTED. IF NO INSTRUCTION IS GIVEN, THE ACCOMPANYING PROXY WILL BE VOTED FOR SUCH ELECTION. THE AFFIRMATIVE VOTE OF A MAJORITY OF THE SHARES OF COMMON STOCK REPRESENTED AT THE MEETING IS REQUIRED FOR THE ELECTION OF EACH DIRECTOR.

CERTAIN TRANSACTIONS

The following table sets forth certain information relating to mortgage and line of credit loans aggregating more than \$60,000 made to executive officers named in the Summary Compensation Table and directors of the Company since December 31, 1992:

<TABLE>
<CAPTION>

NAME OF EXECUTIVE OFFICER OR DIRECTOR	INTEREST RATE	LARGEST	AMOUNT
		INDEBTEDNESS SINCE JANUARY 1, 1993	OUTSTANDING AT DECEMBER 31, 1993
<S>	<C>	<C>	<C>
James M. Burkholder . . .	7.5%	\$95,000	0
	11.9%	\$ 2,000	0
Daniel A. Arrigoni(1) . .	8.67%	\$620,747	\$612,350 (1)
Graham N. Heikes. . . .	7.37%	\$128,562	\$127,225

<FN>

(1) Mr. Arrigoni was retained as Executive Vice President and a member of the Executive Management Committee of the Bank on September 30, 1991, and the loans set forth above were incurred prior to his employment with the Bank. At December 31, 1991, Mr. Arrigoni had sold his interest in the property

</TABLE>

securing the mortgage loan set forth above. The property was purchased by the buyer but Mr. Arrigoni remains personally liable to the Bank for its repayment.

All of the loans set forth in the table above were made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collection or present other unfavorable features.

Thomas R. Lohmann leases property constituting two banking offices to the Bank pursuant to leases expiring in 2010 and 2012. Thomas R. Lohmann is the brother of John G. Lohmann, Jr., an executive officer of the Company. Monthly net lease payments under such leases total approximately \$38,540 (subject to adjustment for changes in price indices).

EXECUTIVE COMPENSATION

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

INTRODUCTION

The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors, a committee consisting of four independent, nonemployee directors. The Compensation Committee establishes and administers salary levels and other compensation plans for James M. Burkholder and John G. Lohmann, Jr. and reviews and, where appropriate ratifies, determinations of the Executive Committee relative to compensation to other officers of the Company. The Executive Committee, a committee composed of Mr. Burkholder, Mr. Lohmann and E. Thomas Binger, a nonemployee director, makes determinations as to the compensation levels of Messrs. Arrigoni and Bueltel and other officers of the Bank for ratification by the Compensation Committee.

COMPENSATION PHILOSOPHY

It is the Company's policy to link executive compensation to achievement of the Company's strategic objectives. Value to shareholders is of primary importance in these objectives. In addition, however, it is the Company's policy to promote internally generated growth while minimizing the cyclical risks to which financial institutions are subject. In furtherance of such objectives, the Company attempts to design its compensation programs for executive officers to focus not only on short-term profitability and return, but to consider the longer-term value created by minimizing interest rate risk, maximizing asset quality, and increasing the Company's ability to generate stable and growing income through retail banking and mortgage banking operations. Accordingly, the Company's compensation programs are highly incentive based, with compensation designed to further both short-term and long-term strategic objectives while attracting and retaining executives capable of achieving those objectives.

In 1991, the Company retained a compensation consultant from its independent accounting firm to review and compare its executive compensation programs to those of similarly sized financial institutions. The report resulting from this study, released in July 1991 was updated in December 1992 and the Compensation Committee was advised by its compensation consultant that executive compensation to financial institution executives was increasing at an annualized rate of approximately five percent. These reports were examined by and served in part as a basis for the decisions of the Compensation Committee and the Executive Committee relative to executive compensation during 1993. The Compensation Committee also examined data relating to publicly traded savings institutions provided by other independent reports.

PAY MIX AND MEASUREMENT

Each executive's compensation consists of three principal components: an annual salary that is primarily cash-based; an annual performance-based cash bonus; and longer-term incentive compensation that includes equity participation.

BASE SALARY. Each executive's base salary is reviewed annually at the beginning of each fiscal year. In establishing annual salary, the compensation committee considers (1) the executive's performance, (2) the executive's responsibilities and compensation relative to similarly situated executives, and (3) increases in median competitive pay levels.

For 1993, the Compensation Committee examined an updated report that presented information on six different statistical compilations of executive compensation at national and regional thrifts as well as specific data on five comparable financial institutions. In addition, because the Company's operations involve a greater deal of residential lending and mortgage banking activity than most thrifts, the compensation of some executives, such as Mr. Lohmann who is responsible not only for lending but mortgage banking and secondary marketing, was compared to compensation of similar executives at mortgage banking companies.

The Company sets executive salaries at approximately the mean salary level of equivalent executives in similarly sized savings institutions and mortgage banking companies. The Chief Executive's salary is generally set at approximately the national average of salary level for the chief executive of similarly sized savings institutions, but his overall compensation may exceed the mean aggregate compensation to such executives because it contains a great deal of short and long-term incentive compensation.

Based upon these considerations, Mr. Burkholder's base salary was increased to \$195,000 in 1993, an increase of approximately 11.4% over his salary level for 1992. The increase in Mr. Burkholder's salary was slightly more than the average increase of executive officer salaries in the industry during 1992 (which averaged approximately 5%). The greater increase was based, in large part, upon exceptional earnings, return on assets and return on equity during the 1992 fiscal year as well as a large increase in off-balance sheet assets (servicing rights). At such level Mr. Burkholder's salary in 1993 was approximately equal to the mean salary of executives at similarly sized thrift institutions in the national surveys for thrifts and mortgage companies set forth in the statistical compilations noted above.

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ANNUAL INCENTIVE COMPENSATION. Annual incentive compensation to executive officers of the Company, as well as other officers of the Company and the Bank, is intended to reflect the value created by the Company for its shareholders, as well as management's ability to achieve longer-term strategic objectives, including objectives relative to risk exposure, asset quality, growth and regulatory compliance. Consistent with such policy, the Company's Performance Bonus Policy allows officers of the Company and the Bank to receive annual cash bonuses based upon the Company's achievement of preestablished goals as to profitability and based on individual achievement of specific individual performance goals.

The Company's Compensation Committee establishes at or prior to the beginning of each year a matrix consisting of a range of goals in terms of return on assets, return on equity and net earnings. Officers are assigned to different tiers within the matrix and become eligible for a cash bonus equal to a percentage of their base salaries, ranging for calendar 1992 from 0% to up to a maximum of 90%, depending upon the achievement during the year of such financial goals.

The achievement by the Company of any goal in the matrix, however, will not necessarily result in any bonus to any particular officer. The Company also establishes a number of specific individual performance objectives for each of its officers in terms of their responsibilities within the Company. Each officer is rated at the end of each year based on the achievement of such objectives, and based on such ratings, may receive all, a portion, or none of the bonus allocable based on achievement of financial goals.

Bonuses for the Company's two principal executive officers (Messrs. Burkholder and Lohmann) are determined by the Compensation Committee annually in January based on performance against the objectives set forth in the matrix and individual objectives in the previous year. The Company's financial performance as to net earnings, return on assets and return on equity, when adjusted for the value of servicing rights retained during 1993 far exceeded the highest strategic objectives established by the Board of Directors in early 1993. The compensation committee further noted that the Company had increased its portfolio of servicing rights by more than \$300 million during the year. Management's individual performance objectives were exceeded during the fiscal year. Because of this extraordinary performance, the Compensation Committee in January 1994 determined to allocate bonuses that exceeded the highest category of bonus in the matrix. Mr. Burkholder received a bonus equal to 95% of his base salary for 1993.

LONG-TERM INCENTIVE COMPENSATION. The Company believes that return to shareholders can be maximized by creating a similarity of economic interest between shareholders and executive management. Historically, the Company has granted options under its Restated Stock Option Plan to provide an incentive to maximize the value of the Company's equity securities. Because options have not always resulted in the most advantageous tax consequences and incentive to officers, however, the Company adopted the 1993 Stock Incentive Plan (the "Plan") in 1993 (subject to shareholder approval--see "Proposal to Adopt 1993

Stock Incentive Plan"). In addition to stock options, the Company may grant restricted stock, stock appreciation rights, performance awards and other stock-based compensation under the Plan. The Plan, including decisions regarding who receives awards under the Plan, is administered by the Compensation Committee.

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Options to purchase 13,333, 13,333 and 4,000 shares were granted to Messrs. Burkholder, Lohmann and Bueltel, respectively, in January 1993 under the Restated Stock Option Plan. These options were granted in part because substantial options held by such officers had become fully vested and expire in 1994. The new options granted vest over a period of two years, and like other options granted to officers and employees, are exercisable at a price equal to the fair market value of the common stock on the date of grant.

In connection with the adoption of the Plan, the Committee granted, subject to shareholder approval, 13,000, 13,000 and 2,000 shares of restricted stock to Messrs. Burkholder Lohmann and Bueltel, respectively, in January 1994. Although the Committee granted a similar number of shares to Mr. Burkholder and Mr. Lohmann in 1992, those restricted shares were in lieu of a contractual obligation of the Company to establish a retirement plan for such officers. With the exception of option grants in early 1993, the Company had not granted significant stock based incentives to such executives since 1989. Options initially to purchase over 88,000 shares of Common Stock held by such officers, of which options to purchase 66,532 remained outstanding at the time of such grants, expire in 1994. The shares of restricted stock were granted in recognition of the extraordinary performance in recent periods, the lapse of significant stock based incentives held by such executives, and the significant tax penalties that such executives will have to recognize to exercise expiring options.

EMPLOYEE BENEFITS

The executive officers of the Company also receive customary health and insurance benefits and may participate in the Company's 401(k) plan. Messrs. Burkholder and Lohmann also receive, in accordance with a contractual obligation of the Company, life insurance benefits under policies funded by the Company and for which their legatees are beneficiaries and payments to compensate them for income taxes incurred on restricted stock granted in 1992 in lieu of a contractual obligation to develop retirement plans for such officers. The aggregate amount of payments on behalf of Mr. Burkholder for life insurance benefits and for tax liability related to 1993 was \$34,189.

CONCLUSION

Overall, approximately 42% of the annual compensation to the four executive officers of the Company during 1993 consisted of incentive compensation based on earnings performance. The Chairman, Chief Executive Officer and President of the Company received 45% of his cash compensation from incentive programs that are based on performance.

The undersigned members of the Compensation Committee believe that the foregoing compensation programs, which intricately tie executive compensation to the Company's performance, are consistent with the Company's overall compensation policies and reflect the Company's extraordinary performance during the 1993 fiscal year.

Alice D. Mortenson (Chairperson)
E. Thomas Binger
Leonard E. Brown
Graham N. Heikes

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SHAREHOLDER RETURN

The graph set forth below compares the cumulative total shareholder return on the common stock of the Company for the last five fiscal years with the cumulative total return on a broad market index and a peer group index. The broad market index is an index prepared by Media General Corporation of all companies that have been listed on the NASDAQ National Market System for the entire 5 year period ended December 31, 1993. The peer group index is an index of 283 savings and loan institutions that have been listed on the New York Stock Exchange, American Stock Exchange and Nasdaq National Market System for the entire 5 year period that is also prepared by Media General Corporation. In each case, the cumulative return is calculated assuming an investment of \$100 on December 31, 1988, and reinvestment of all dividends.

SUMMARY COMPENSATION TABLE

The following table sets forth the cash and noncash compensation for each of the last three fiscal years awarded to or earned by the Chief Executive Officer of the Company and the three executive officers of the Company (there being no other executive officers of the Company) whose salary and bonus earned in the fiscal year ended December 31, 1993 exceeded \$100,000 for services rendered.

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
		SALARY	BONUS (1)	OTHER ANNUAL COMPENSATION (2)	AWARDS RESTRICTED STOCK AWARDS (3)	OPTIONS	PAYOUTS LTIP PAYOUTS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
JAMES M. BURKHOLDER President, Chief Executive Officer and Chairman of the Company and the Bank	1993	\$195,000	\$185,000	\$34,189		13,333	\$9,612
	1992	175,000	125,000	14,597	\$249,980		8,670
	1991	160,000 (5)	100,000				7,115
JOHN G. LOHMANN, JR. Executive Vice President and Secretary of the Company and the Bank; Chief Lending Officer of the Bank	1993	161,000	140,000	34,189		13,333	8,643
	1992	155,000	105,000	14,597	249,980		8,340
	1991	148,000	70,000				7,055
LYNN V. BUELTEL Senior Vice President and Chief Financial Officer of the Company and Bank; Treasurer of the Bank	1993	100,000	57,000			4,000	6,397
	1992	96,000	52,000				5,780
	1991	93,000	40,000				3,938
DANIEL A. ARRIGONI (6) Executive Vice President of the Company and Executive Vice President of the Bank-Mortgage Production	1993	141,000	110,000				7,272
	1992	135,000	81,000				
	1991	34,298	10,000			53,332	

</TABLE>

- <TABLE>
<FN>
<S> <C>
- (1) Represents cash bonuses paid in the following year with respect to services performed in the years indicated.
 - (2) Amounts shown as Other Annual Compensation are payments made in the following year for the benefit of certain named executive officers for federal and state withholding taxes in the preceding year arising from the lapse of restrictions on restricted stock held by such named executive officers.
 - (3) The amounts reported in this column represent the market value on the date of grant, without giving effect to the diminution in value attributable to the restrictions on such stock. In fiscal 1993, the Company awarded 22,986 shares of restricted stock to each of Messrs. Burkholder and Lohmann, with vesting occurring at the rate of 10% per year beginning on the date of grant. Regular dividends are paid on the restricted stock reported in this column.
 - (4) The total amounts shown in this column for the last fiscal year consist of the following: (i) Mr. Burkholder: \$7,445- Company contributions to the Company's 401(k) plan; \$2,167- Benefit attributable to employee-owned life

insurance policy; (ii) Mr. Lohmann: \$7,445 - Company contributions to the Company's 401(k) plan; \$1,198-Benefit attributable to employee-owned life insurance policy; (iii) Mr. Bueltel and Mr. Arrigoni- all amounts are Company contributions to the Company's 401(k) plan.

- (5) Includes amounts deferred under the Company's Deferred Compensation Plan.
- (6) Mr. Arrigoni became an employee and officer of the Company on September 30, 1991.

</TABLE>

STOCK OPTIONS

The Company maintains a Restated Stock Option Plan pursuant to which executive officers, and other employees and consultants of the Company, may receive options to purchase the Company's common stock.

OPTION GRANTS IN FISCAL YEAR 1993

The following table provides information on grants of stock options for fiscal year 1993 to the Chief Executive Officer and the executive officers named in the Summary Compensation Table. The hypothetical present values on date of grant of stock options granted in 1993 shown below are presented pursuant to the Commission rules and are calculated under the Black-Scholes Model for pricing options. This hypothetical value of options trading in the stock markets bears little relationship to the compensation cost to the Company or potential gain realized by an executive. The actual amount, if any, realized upon exercise of stock options will depend upon the market price of the Company's Common Stock relative to the exercise price per share of Common Stock of the stock option at the time the stock option is exercised. There is no assurance that the hypothetical present values of stock options reflected in this table actually will be realized.

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<TABLE>
<CAPTION>

INDIVIDUAL GRANTS

NAME	OPTIONS GRANTED	% OF TOTAL OPTIONS		EXPIRATION DATE	GRANT DATE
		GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE		
<S>	<C>	<C>	<C>	<C>	<C>
Mr. Burkholder	13,333	41.7%	\$10.6875	1/5/2000	51,900
Mr. Lohmann	13,333	41.7%	10.6875	1/5/2000	51,900
Mr. Bueltel	4,000	12.5%	10.6875	1/5/2000	15,570
Mr. Arrigoni	-0-	-	-	-	-

<FN>

- (1) The present values on grant date are calculated under the Black-Scholes Model. The Black-Scholes Model is a mathematical formula used to value options traded on stock exchanges. This formula considers a number of factors to estimate the option's present value, including the stock's historical volatility, dividend rate, exercise period of the option and interest rates.

</TABLE>

AGGREGATED OPTION EXERCISES IN FISCAL YEAR 1993 AND FISCAL YEAR-END OPTION VALUES

The following table summarizes option exercises during 1993 by the Chief Executive Officer and by the executive officers named in the Summary Compensation Table, and the value of the options held by such persons at the end of 1993.

<TABLE>
<CAPTION>

SHARES ACQUIRED	VALUE	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END (1)	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END (2)

NAME	ON EXERCISE	REALIZED	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mr. Burkholder	2,666	\$37,333	52,333	13,333	\$897,285	\$132,497
Mr. Lohmann	2,666	43,333	51,333	13,333	879,160	132,497
Mr. Bueltel	1,200	16,842	14,198	4,000	233,049	39,750
Mr. Arrigoni	-	-	16,666	36,666	243,740	536,240

<FN>

- (1) All of such options, with the exception of the options granted to Mr. Arrigoni, are exercisable at a price equal to the fair market value of the common stock on the date of grant.
- (2) Represents the difference between the closing price of the Company's Common Stock as reported on the Nasdaq National Market System on December 31, 1993 and the exercise price of the options.

</TABLE>

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LONG-TERM INCENTIVE PLAN AWARDS

Other than its Restated Stock Option Plan and newly adopted 1993 Stock Incentive Plan, the Company does not maintain any long-term incentive plans.

CHANGE IN CONTROL ARRANGEMENTS

In addition to the employment and severance pay agreements discussed below, the Company has certain other compensatory arrangements with its executive officers which will result from a change in control of the Company. All outstanding stock option agreements provide for the acceleration of exercisability of options upon a change in control. The restricted stock award agreements also provide for the full vesting of all outstanding shares of restricted stock if the holder is terminated following a change in control.

EMPLOYMENT AGREEMENTS

The Company has Employment Agreements with Messrs. Burkholder and Lohmann terminating December 31, 1996 but renewing annually thereafter. The employment agreements provide that the annual salaries of Messrs. Burkholder and Lohmann will be at least \$195,000 and \$161,000, respectively, that such officers shall be entitled to participate in incentive and other plans of the Company, and that the Company will establish and maintain disability insurance, term life insurance and retirement plans for such officers. See "Compensation Committee Report on Executive Compensation--Long-Term Incentive Compensation." Both agreements also contain confidentiality obligations and covenants not to compete for one year after termination of employment. The agreements provide for severance pay on failure to renew in certain instances and provide that under certain circumstances (including a change in control) in the event of termination of employment prior to the termination of the agreements, the Company will pay to Messrs. Burkholder and Lohmann severance pay in an amount equal to three times and two times, respectively, the average annualized cash compensation (based on the last five years) of such officers.

The Company also has entered into severance pay agreements with Messrs. Arrigoni and Bueltel terminating on May 15, 1994. The severance pay agreements provide that under certain circumstances (including a change in control) in the event of termination during the term of such agreements, the Company will pay the two executive officers as severance pay an amount equal to one year's compensation.

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PROPOSAL TO AMEND THE CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

On January 25, 1994, the Board of Directors approved amendments to the Company's Certificate of Incorporation to increase the number of authorized shares of Common Stock from 5,000,000 to 10,000,000, subject to approval by the shareholders at the Annual Meeting. If the amendment is approved by the Company's shareholders, the first sentence of Article 5 of the Company's Certificate of Incorporation will read as follows:

The aggregate number of shares of stock which this corporation is authorized to issue is 11,000,000

shares, par value \$.01 per share, of which 10,000,000 shares are designated Common Stock and 1,000,000 shares are designated Preferred Stock.

The additional shares of Common Stock for which authorization is sought would be a part of the existing class of Common Stock and, if and when issued, would have the same rights and privileges as the shares of Common Stock presently outstanding. Such additional shares would not (and the shares of Common Stock presently do not) entitle the holders thereof to preemptive or cumulative voting rights.

The Board of Directors believes that the additional authorized shares of Common Stock are necessary to provide the Company with flexibility to structure future transactions, to provide for future issuance under the Company's 1993 Stock Incentive Plan (if approved by the shareholders) and to meet any future needs to raise capital. There are, however, no present plans for issuing a material number of additional shares of Common Stock from the currently authorized shares of Common Stock or the additional shares of Stock proposed to be authorized pursuant to the amendment.

The issuance by the Company of shares of Common Stock may dilute the present equity ownership position of current holders of Common Stock. Unless required by law or by the rules of any stock exchange on which the Company's Common Stock may in the future be listed, no further authorized vote by the shareholders will be sought for any issuance of shares of Common Stock. Under existing National Association of Securities Dealers, Inc. regulations, approval by a majority of the holders of Common Stock would nevertheless be required in connection with a transaction or series of related transactions that would result in the original issuance of additional shares of Common Stock, other than in a public offering for cash, (i) if the Common Stock (including securities convertible into or exercisable for Common Stock) has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of the Common Stock; or (ii) if the number of shares of Common Stock to be issued is or will be equal to or in excess of 20% of the number of shares outstanding before the issuance of the Common Stock; or (iii) if the issuance would result in a change in control of the Company.

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The authorized but unissued shares of Common Stock could make a change in control of the Company more difficult to achieve. Under certain circumstances, such shares of Common Stock could be used to create voting impediments to frustrate persons seeking to effect a takeover or otherwise gain control of the Company. Such shares could be sold privately to purchasers who might side with the Board in opposing a takeover bid that the Board determines is not in the best interests of the Company.

The amendment also may have the effect of discouraging an attempt by another person or entity, through acquisition of a substantial number of shares of Common Stock, to acquire control of the Company with a view to effecting a merger, sale of assets or a similar transaction, since the issuance of new shares could be used to dilute the stock ownership of such person or entity.

Although the Board of Directors has concluded that the potential benefits of the proposed amendment outweighs its possible disadvantages, the Board asks shareholders to consider, as the Board has done, those possible disadvantages. Shareholders may find the issuance of shares of Common Stock disadvantageous to the extent that it may be used to discourage takeovers which are not approved by the Board but in which shareholders may receive for some or all of their shares a substantial premium above market value at the time a tender offer is made. Thus, shareholders who may wish to participate in such a tender offer may be restricted in their opportunity to do so. In addition, because the proposed amendment may enable the Company to discourage tender offers, the amendment may make removal of the Board of Directors or management more difficult. To the extent that the adoption of the proposed amendment renders less likely a merger or other transaction opposed by the Company's incumbent Board of Directors, the effect of such adoption may be to assist the Board of Directors and management in retaining their existing positions.

If the amendment to the Company's Certificate of Incorporation is approved by the shareholders at the Annual Meeting, such amendment will become effective when a Certificate of Amendment of the Certificate of Incorporation is filed for record with the Secretary of State of the State of Delaware.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE SHAREHOLDERS APPROVE THE PROPOSAL TO AMEND THE COMPANY'S CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES AS DESCRIBED ABOVE. THE PERSONS NAMED IN THE ACCOMPANYING PROXY INTEND TO VOTE THE PROXIES HELD BY THEM IN FAVOR OF SUCH PROPOSAL, UNLESS OTHERWISE DIRECTED. AN AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE SHARES OF COMMON STOCK REPRESENTED AT THE MEETING IN PERSON OR BY PROXY IS REQUIRED FOR THE APPROVAL OF THE PROPOSAL.

PROPOSAL TO APPROVE THE 1993 STOCK INCENTIVE PLAN

On October 5, 1993, the Board of Directors voted for a resolution authorizing the adoption of the "Investors Bank Corp. 1993 Stock Incentive Plan" (the "1993 Plan"), subject to approval by the shareholders of the Company. The 1993 Plan, if approved, will have the effect of amending the Company's Restated Stock Option Plan, by eliminating the authority to grant any further options thereunder.

The purpose of the Plan is to promote the interests of the Company and its shareholders by attracting and retaining employees and members of the Board who are not also employees of the Company, by stimulating the efforts of such employees and nonemployee directors to contribute to the current and long-term success of the Company, and by providing an opportunity for such employees and nonemployee directors to increase their proprietary interests in the Company. These goals are consistent with the principles of the Company's executive compensation program described above in the Committee's Report and, if approved by the Company's shareholders, the 1993 Plan will become an important component of that program.

The 1993 Plan is administered by the Company's Compensation Committee (the "Committee"). The Committee has the authority to select the individuals to whom awards are granted, to determine the types of awards to be granted and the number of shares of Common Stock covered by such awards, to set the terms and conditions of such awards, and to determine whether the payment of any amounts received under any award shall or may be deferred. The Committee has the authority to establish rules for the administration of the 1993 Plan, and determinations and interpretations with respect to the 1993 Plan are at the sole discretion of the Committee, whose determinations and interpretations are binding on all interested parties. The Committee may delegate to one or more officers, or the Board of Directors may exercise, the Committee's powers and duties under the 1993 Plan with respect to individuals who are not subject to Section 16 of the Exchange Act.

The 1993 Plan permits the granting of a variety of different types of awards: (a) stock options, including incentive stock options ("Incentive Stock Options") meeting the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), stock options that do not meet such requirements ("Nonqualified Stock Options") and restoration options; (b) stock appreciation rights ("SARs"); (c) restricted stock and restricted stock units; (d) performance awards; (e) dividend equivalents; and (f) other awards valued in whole or in part by reference to or otherwise based upon the Company's stock ("other stock-based awards"). Awards may be granted alone, in addition to, in tandem with or in substitution for any other award granted under the 1993 Plan or any other plan. Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law. Awards may provide that upon the grant or exercise thereof the holder will receive cash, shares of Common Stock, or other securities, awards or property, or any combination thereof, as the Committee shall determine. The exercise price per share under any stock option, the grant price of any SAR, and the purchase price of any security which may be purchased

under any other stock-based award may not be less than 100% of the fair market value of the Company's Common Stock on the date of the grant of such option, SAR or right. Determinations of fair market value under the 1993 Plan are made in accordance with methods and procedures established by the Committee.

Options may be exercised by payment in full of the exercise price, either in cash or, at the discretion of the Committee, in whole or in part by the tendering of shares of Common Stock or other consideration having a fair market value on the date the option is exercised equal to the exercise price.

The 1993 Plan provides for "formula" grants to directors who are not employees of options to purchase 2,666 shares of Common Stock on the date of each annual meeting of shareholders. All of such options will have an exercise price equal to the fair market value on the date of grant, will vest in annual increments of 50% of the shares subject to the option commencing one year from the date of grant, and will expire seven years from the date of grant. The terms of these options may not be altered without shareholder vote.

The 1993 Plan provides that the Committee may grant restoration options, separately or together with another option, and may establish the terms and conditions of such restoration options. Pursuant to a restoration option, the optionee would be granted a new option when the payment of the exercise price of

the option to which such restoration option relates is made by using shares of Common Stock owned by the optionee. The new option granted upon such exercise would be an option to purchase the number of shares not exceeding the sum of (i) the number of shares of Common Stock tendered as payment upon the exercise of the option to which such restoration option relates and (ii) the number of shares of the Company's Common Stock tendered or withheld as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the option to which such restoration option relates. Restoration options may be granted with respect to options previously granted under the 1993 Plan or any other stock option plan of the Company, and may be granted in connection with any option granted under the 1993 Plan or any other such plan at the time of such grant.

The holder of an SAR is entitled to receive the excess of the fair market value (calculated as of the exercise date or, if the Committee shall so determine, as of any time during a specified period before or after the exercise date) of a specified number of shares over the grant price of the SAR.

Shares of restricted stock and restricted stock units will be subject to such restrictions as the Committee may impose (including any limitations on the right to vote or the right to receive dividends), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may determine. Restricted stock may not be transferred by the holder until the restrictions established by the Committee lapse. Holders of restricted stock units have the right, subject to any restrictions imposed by the Committee, to receive shares of Common Stock at some future date. Upon termination of the holder's employment during the

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restriction period, restricted stock and restricted stock units are forfeited, unless the Committee determines otherwise.

Performance awards provide the holder thereof the right to receive payments, in whole or in part, upon the achievement of such goals during such performance periods as the Committee shall establish. A performance award granted under the 1993 Plan may be denominated or payable in cash, shares of Common Stock or restricted stock, or other securities, awards or property. Dividend equivalents entitle the holder thereof to receive payments (in cash, shares or otherwise, as determined by the Committee) equivalent to the amount of cash dividends with respect to a specified number of shares. The Committee is also authorized to establish the terms and conditions of other stock-based awards.

No award granted under the 1993 Plan may be assigned, transferred, pledged or otherwise encumbered by the individual to whom it is granted, otherwise than by will, by designation of a beneficiary, or by laws of descent and distribution. Each award is exercisable, during such individual's lifetime, only by such individual, or, if permissible under applicable law, by such individual's guardian or legal representative.

The aggregate number of shares of the Company's Common Stock which may be issued under all awards granted pursuant to the 1993 Plan is 350,000 (subject to adjustment as described below). If any shares of Common Stock subject to any award or to which an award relates are not purchased or are forfeited, or if any such award terminates without the delivery of shares, the shares previously used for such awards will be available for future awards under the 1993 Plan. Notwithstanding the forgoing, no executive officer of the Company may receive in any single calendar year options under the plan to purchase more than 50,000 shares of Common Stock. Except as otherwise provided under procedures adopted by the Committee to avoid double counting with respect to awards granted in tandem with or in substitution for other awards, all shares relating to awards which allow the holder to receive or purchase shares will be counted against the aggregate number of shares available for granting awards under the 1993 Plan.

If any dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of shares of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase shares of Common Stock or other securities of the Company, or other similar corporate transaction or event affects the shares of Common Stock so that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the 1993 Plan, the Committee may, in such manner as it deems equitable, adjust (a) the number and type of shares (or other securities or property) which thereafter may be made the subject of awards, (b) the number and type of shares (or other securities or property) subject to outstanding awards, and (c) the exercise price with respect to any award.

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The 1993 Plan terminates on May 3, 2004, and no awards may be made after that date. However, unless otherwise expressly provided in the 1993 Plan or an applicable award agreement, any award granted may extend beyond the end of such period.

The Board of Directors may amend, alter or discontinue the 1993 Plan at any time, provided that stockholder approval must be obtained for any such action that, absent such stockholder approval, (i) would cause Rule 16b-3 under the Exchange Act to become unavailable with respect to the 1993 Plan; (ii) would violate the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. applicable to the Company; or (iii) would cause the Company to be unable, under the Code, to grant Incentive Stock Options under the 1993 Plan. The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the 1993 Plan or any award agreement in the manner and to the extent it shall deem desirable to carry the 1993 Plan into effect. The Committee may waive any condition of, or rights of the Company under any outstanding award, prospectively or retroactively, but the Committee may not amend, suspend or terminate any outstanding award, prospectively or retroactively, without the consent of the holder or beneficiary of the award.

The following is a summary of the principal federal income tax consequences generally applicable to awards under the 1993 Plan. The grant of an option or SAR is not expected to result in any taxable income for the recipient. The holder of an Incentive Stock Option generally will have no taxable income upon exercising the Incentive Stock Option (except that a liability may arise pursuant to the alternative minimum tax), and the Company will not be entitled to a tax deduction when an Incentive Stock Option is exercised. Upon exercising a Nonqualified Stock Option, the optionee must recognize ordinary income equal to the excess of the fair market value of the shares of Common Stock acquired on the date of exercise over the exercise price, and the Company will be entitled at that time to a tax deduction for the same amount. Upon exercising an SAR, the amount of any cash received and the fair market value on the exercise date of any shares of Common Stock received are taxable to the recipient as ordinary income and deductible by the Company. The tax consequence to an optionee upon a disposition of shares acquired through the exercise of an option will depend on how long the shares have been held and upon whether such shares were acquired by exercising an Incentive Stock Option or by exercising a Nonqualified Stock Option or SAR. Generally, there will be no tax consequence to the Company in connection with disposition of shares acquired under an option, except that the Company may be entitled to a tax deduction in the case of a disposition of shares acquired under an Incentive Stock Option before the applicable Incentive Stock Option holding periods set forth in the Code have been satisfied.

With respect to other awards granted under the 1993 Plan that are payable either in cash or shares of Common Stock that are either transferable or not subject to substantial risk of forfeiture, the holder of such an award must recognize ordinary income equal to the excess of (a) the cash or the fair market value of the shares of Common Stock received (determined as of the date of such receipt) over (b) the amount (if any) paid for such shares of Common Stock by the holder of the award, and the Company will be entitled at that time to a deduction for the same amount. With respect to an

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award that is payable in shares of Common Stock that are restricted as to transferability and subject to substantial risk of forfeiture, unless a special election is made pursuant to the Code, the holder of the award must recognize ordinary income equal to the excess of (i) the fair market value of the shares of Common Stock received (determined as of the first time the shares become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier) over (ii) the amount (if any) paid for such shares of Common Stock by the holder, and the Company will be entitled at that time to a tax deduction for the same amount.

Special rules may apply in the case of individuals subject to Section 16 of the Exchange Act. In particular, unless a special election is made pursuant to the Code, shares received pursuant to the exercise of a stock option or SAR may be treated as restricted as to transferability and subject to a substantial risk of forfeiture for a period of up to six months after the date of exercise. Accordingly, the amount of any ordinary income recognized, and the amount of the Company's tax deduction, are determined as of the end of such period.

Under the 1993 Plan, the Committee may permit participants receiving or exercising awards, subject to the discretion of the Committee and upon such terms and conditions as it may impose, to surrender shares of Common Stock (either shares received upon the receipt or exercise of the award or shares previously owned by the optionee) to the Company to satisfy federal and state tax obligations.

The 1993 Plan is intended to qualify for an exemption from Section 162(m) of the Internal Revenue Code of 1986, as amended. If the 1993 Plan so qualifies, income created by options granted to executive officers under the 1993 Plan would not be included in income paid to the executive for purposes of determining whether the Company is entitled to a deduction for payments to the executive under section 162(m). If an executive's income from the Company exceeds \$1,000,000 and an exemption is not available under Section 162(m), the Company would not be entitled to a deduction for the compensation paid to the executive. Although the Company does not believe that any executive officer is currently, or will be in the foreseeable future, entitled to income related to the Company in an amount that would approach \$1,000,000, appreciation in the market value of certain stock related benefits, such as nonqualified stock options, could create income that would normally be deductible by the Company but excludable under Section 162(m). Accordingly, the Board of Directors believes that an amendment designed to qualify the 1993 Plan under 162(m) is in the best interests of the Company.

Any employee, officer, consultant, independent contractor or non-employee director of the Company and its affiliates selected by the Committee is eligible to receive awards under the 1993 Plan. There were approximately 509 persons employed by the Company and its subsidiaries as of February 1, 1994 who would be eligible as a class to receive awards under the 1993 Plan. The amount, type and recipients of awards under the 1993 Plan have not yet been determined.

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THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS APPROVE THE 1993 STOCK INCENTIVE PLAN. THE AFFIRMATIVE VOTE OF A MAJORITY OF THE SHARES OF COMMON STOCK REPRESENTED AT THE MEETING IN PERSON OR BY PROXY IS REQUIRED FOR APPROVAL OF THE 1993 PLAN.

RELATIONSHIP WITH ACCOUNTANTS

KPMG Peat Marwick have served as the Company's independent public accountants since August 1990 and will serve as the Company's auditors for the year ending December 31, 1993. Representatives of KPMG Peat Marwick are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to questions from shareholders.

GENERAL

The Board of Directors of the Company does not know of any matters other than those described in this Proxy Statement which will be acted upon at the Annual Meeting. In the event that any other matters properly come before the meeting calling for a vote of shareholders, the persons named as proxies in the enclosed form of proxy will vote in accordance with their best judgment on such other matters.

SHAREHOLDER PROPOSALS

Any proposal by a shareholder to be presented at the next annual meeting must be received at the Company's principal executive offices, 200 East Lake Street, Wayzata, Minnesota 55391, no later than December 2, 1994.

BY ORDER OF THE BOARD OF DIRECTORS

John G. Lohmann, Jr., Secretary

Dated: April 1, 1994

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[FORM OF PRELIMINARY PROXY CARD]

INVESTORS BANK CORP.

Proxy for the 1994 Annual Meeting of Shareholders

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints James M. Burkholder and John G. Lohmann, Jr., and each of them, with full power to appoint a substitute, to vote all shares the undersigned is entitled to vote at the Annual Meeting of

Shareholders of Investors Bank Corp. to be held on May 3, 1994, and at all adjournments thereof, as specified below on the matter referred to, and, in their discretion, upon any other matters which may be brought before the meeting:

- 1. ELECTION OF DIRECTORS: // FOR all nominees // WITHHOLD AUTHORITY (except as marked to // to vote for all nominees the contrary below)

To withhold authority to vote for a specific nominee, place a line through such nominee's name below:

James M. Burkholder; Leonard E. Brown

- 2. AMENDMENT TO CERTIFICATE OF INCORPORATION TO INCREASE THE NUMBER OF AUTHORIZED SHARES:

// FOR // AGAINST // ABSTAIN

- 3. TO APPROVE ADOPTION OF A 1993 STOCK INCENTIVE PLAN:

// FOR // AGAINST // ABSTAIN

- 4. TO VOTE WITH DISCRETIONARY AUTHORITY ON ANY OTHER BUSINESS AS MAY PROPERLY BE PRESENTED AT THE MEETING.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL DIRECTORS NAMED IN ITEM 1, FOR THE AMENDMENT IN ITEM 2 AND FOR THE ADOPTION OF THE 1993 STOCK INCENTIVE PLAN.

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature

Signature if held jointly

Dated: _____, 1994

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY.

INVESTORS BANK CORP.
1993 STOCK INCENTIVE PLAN

SECTION 1. PURPOSE.

The purpose of the Plan is to aid in attracting and retaining personnel and members of the Board of Directors who are not also employees ("Non-Employee Directors") of Investors Bank Corp. (the "Company") capable of assuring the future success of the Company, to offer such personnel incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel an opportunity to acquire a proprietary interest in the Company.

SECTION 2. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(e) "Committee" shall mean a committee of the Board of Directors of the Company designated by such Board to administer the Plan, which shall consist of members appointed from time to time by the Board of Directors and shall be comprised of not less than such number of directors as shall be required to permit the Plan to satisfy the requirements of Rule 16b-3. Each member of the Committee shall be a "disinterested person" within the meaning of Rule 16b-3.

(f) "Company" shall mean Investors Bank Corp., a Delaware corporation, and any successor corporation.

(g) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.

(h) "Eligible Person" shall mean any employee, officer, consultant or independent contractor providing services to the Company or any Affiliate who the Committee determines to be an Eligible Person. Eligible Person shall not include any Non-Employee Director, who shall receive Awards only pursuant to Section 6(h) of the Plan.

(i) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee or, in the case of grants pursuant to Section 6(h), the Board of Directors.

(j) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.

(k) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan, or Section 6(h) of the Plan in the case of grants to Non-Employee Directors, that is not intended to be an Incentive Stock Option.

(l) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option, and shall include Restoration Options.

(m) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the Plan.

(n) "Participant" shall mean an Eligible Person designated to be granted an Award under the Plan.

(o) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.

(p) "Person" shall mean any individual, corporation, partnership, association or trust.

(q) "Plan" shall mean this 1993 Stock Incentive Plan, as amended from time to time.

(r) "Reload Option" shall mean any Option granted under Section 6(a)(iv) of the Plan.

(s) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.

(t) "Restricted Stock Unit" shall mean any unit granted under

Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(u) "Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, or any successor rule or regulation.

(v) "Shares" shall mean shares of Common Stock, \$.01 par value, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(w) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

SECTION 3. ADMINISTRATION.

(a) POWER AND AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee; PROVIDED, HOWEVER, that Section 6(h) of the Plan shall not be administered by the Committee but rather by the Board of Directors subject to the provisions and restrictions of such Section 6(h). Subject to the express provisions of the Plan and to applicable law, and except with respect to Section 6(h) of the Plan, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement; (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards; (vi) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended; (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee; (viii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding

upon any Participant, any holder or beneficiary of any Award and any employee of the Company or any Affiliate.

(b) DELEGATION. The Committee may delegate its powers and duties under the Plan to one or more officers of the Company or any Affiliate or a committee of such officers, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion; PROVIDED, HOWEVER, that the Committee shall not delegate its powers and duties under the Plan with regard to officers or directors of the Company or any Affiliate who are subject to Section 16 of the Securities Exchange Act of 1934, as amended.

SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(c), the number of Shares available for granting Awards under the Plan shall be 350,000 shares. If any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan.

(b) ACCOUNTING FOR AWARDS. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan.

(c) ADJUSTMENTS. In the event that the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with respect to any Award; PROVIDED,

HOWEVER, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

(d) LIMITATION ON ANNUAL AWARDS TO INDIVIDUALS. Notwithstanding any other provision in this Plan, no Participant may be granted an Award or Awards under the Plan, the value of which is based solely on an increase in the value of the Shares after the date of grant of such Award or Awards, for more than 50,000 Shares in the aggregate in any one calendar year period beginning with the period commencing on January 1, 1994 through December 31, 1994. The foregoing annual limitation specifically includes the grant of any "performance-based" awards within the meaning of Section 162(m) of the Code.

SECTION 5. ELIGIBILITY.

Any Eligible Person, including any Eligible Person who is an officer or director of the Company or any Affiliate, shall be eligible to be designated a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant. Notwithstanding the foregoing, an Incentive Stock Option may only be granted to full or part-time employees (which term as used herein includes, without limitation, officers and directors who are also employees) and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision. Non-Employee Directors shall receive Awards of Non-Qualified Stock Options as provided in Section 6(h) of the Plan.

SECTION 6. AWARDS.

(a) OPTIONS. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) EXERCISE PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee.

(ii) OPTION TERM. The term of each Option shall be fixed by the Committee.

(iii) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including,

without limitation, cash, Shares, promissory notes, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(iv) RELOAD OPTIONS. The Committee may grant Reload Options, separately or together with another Option, pursuant to which, subject to the terms and conditions established by the Committee and any applicable requirements of Rule 16b-3 or any other applicable law, the Participant would be granted a new Option when the payment of the exercise price of the option to which such Reload Option relates is made by the delivery of Shares owned by the Participant pursuant to the relevant provisions of the plan or agreement relating to such option, which new Option would be an Option to purchase the number of Shares not exceeding the sum of (A) the number of Shares so provided as consideration upon the exercise of the previously granted option to which such Reload Option relates and (B) the number of Shares, if any, tendered or withheld as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the option to which such Reload Option relates pursuant to the relevant provisions of the plan or agreement relating to such option. Reload Options may be granted with respect to options previously granted under the Plan or any other stock option plan of the Company, and may be granted in connection with any option granted under the Plan or any other stock option plan of the Company at the time of such grant.

(b) STOCK APPRECIATION RIGHTS. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the following terms and conditions and with such additional

terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) RESTRICTIONS. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate.

(ii) STOCK CERTIFICATES. Any Restricted Stock granted under the Plan shall be evidenced by issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted.

(iii) FORFEITURE; DELIVERY OF SHARES. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; PROVIDED, HOWEVER, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Any Share representing Restricted Stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holders of the Restricted Stock Units.

(d) PERFORMANCE AWARDS. The Committee is hereby authorized to grant Performance Awards to Participants subject to the terms of the Plan and any applicable Award Agreement. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any

Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.

(e) DIVIDEND EQUIVALENTS. The Committee is hereby authorized to grant to Participants Dividend Equivalents under which such Participants shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Committee shall determine.

(f) OTHER STOCK-BASED AWARDS. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan; PROVIDED, HOWEVER, that such grants must comply with Rule 16b-3 and applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including without limitation, cash, Shares, promissory notes, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(g) GENERAL. Except as otherwise specified with respect to Awards to Non-Employee Directors pursuant to Section 6(h) of the Plan:

(i) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate other than the Plan. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) FORMS OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, promissory notes, other securities, other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) LIMITS ON TRANSFER OF AWARDS. No Award and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution; PROVIDED, HOWEVER, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant. Each Award or right under any Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) TERM OF AWARDS. The term of each Award shall be for such period as may be determined by the Committee.

(vi) RESTRICTIONS; SECURITIES EXCHANGE LISTING. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee (or, in the case of grants under 6(h) of the Plan, the Board of Directors) may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

(h) NON-QUALIFIED STOCK OPTIONS TO NON-EMPLOYEE DIRECTORS. The Board of Directors shall issue Non-Qualified Stock Options to Non-Employee Directors in accordance with this Section 6(h).

Non-Qualified Stock Options to purchase 2,000 shares of Common Stock (subject to adjustment in accordance with section 4(c)) shall be granted automatically as of the date of each Annual Meeting of Shareholders of the Company (the "Annual Option Grant Date") held during the term of the Plan (beginning with the 1994 Annual Meeting of Shareholders if the Plan becomes effective pursuant to Section 10 hereof at such meeting) to each Non-Employee Director in office on such Annual Option Grant Date.

Each Non-Qualified Stock Option granted to a Non-Employee Director pursuant to this Section 6(h) shall not be exercisable as of the date of grant but shall become exercisable with respect to 50% of the shares subject thereto on the first annual anniversary of the date of grant and with respect to the remaining 50% on the second annual anniversary of the date of grant. Each such option shall have an exercise price equal to the Fair Market Value of a Share on the date of grant and shall expire on the seventh anniversary of the date of grant, except as provided below. Reload options may not be granted to any Non-Employee Director. This Section 6(h) shall not be amended more than once every six months other than to comport with changes in the Code, the Employee Retirement Income Security Act or the rules and regulations thereunder.

All grants of Non-Qualified Stock Options pursuant to this Section 6(h) shall be automatic and non-discretionary and shall be made strictly in accordance with the foregoing terms and the following additional provisions:

(i) Non-Qualified Stock Options granted to a Non-Employee Director hereunder shall terminate and may no longer be exercised if such Director ceases to be a Non-Employee Director of the Company, except that:

(A) If such Director's term shall be terminated for any reason other than gross and willful misconduct, death, disability, or retirement, such Director may at any time within a period of three months after such termination, but not after the termination date of the Option, exercise the Option.

(B) If such Director's term shall be terminated by reason of gross and willful misconduct during the course of the term, including but not limited to, wrongful appropriation of funds of the Company or the commission of a gross misdemeanor or felony, the Option shall be terminated as of the date of the misconduct.

(C) If such Director's term shall be terminated by reason of disability or retirement, such Director may exercise the Option in accordance with the terms thereof as though such termination had never occurred. If such Director shall die following any such termination, the Option may be exercised in accordance with its terms by the personal representatives or administrators of such Director or by any person or persons to whom the Option has been transferred by will or the applicable laws of descent and distribution.

(D) If such Director shall die while a Director of the Company or within three months after termination of such Director's term for any reason other than disability or retirement or gross and willful misconduct, the Option may be exercised in accordance with its terms by the personal representatives or administrators of such Director or by any person or persons to whom the Option has been transferred by will or the applicable laws of descent and distribution.

(ii) Non-Qualified Stock Options granted to Non-Employee Directors may be exercised in whole or in part from time to time by serving written notice of exercise on the Company at its principal executive offices, to the attention of the Company's Secretary. The notice shall state the number of shares as to which the Option is being exercised and be accompanied by payment of the purchase price. A Non-Employee Director may, at such Director's election, pay the purchase price by check payable to the Company, by promissory note, or in shares of the Company's Common Stock, or in any combination thereof having a Fair Market Value on the exercise date equal to the applicable exercise price. If payment or partial payment is made by promissory note, such note shall (A) be secured by the Shares to be delivered upon exercise of such Option (other than those withheld in payment of taxes as set forth below), (B) be limited in principal amount to the maximum amount permitted under applicable laws, rules and regulations, (C) be for a term of six years and (D) bear interest at the applicable federal rate (as determined in accordance with Section 1274(d) of the Code), compounded semi-annually.

(iii) In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Non-Employee Director, are withheld or collected from such Director. At any time when a Non-Employee Director is required to pay the Company an amount required to be withheld under applicable income tax laws in connection with an Option granted pursuant to this Section 6(h), such Director may (A) elect to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise of such Option with a Fair Market

Value equal to the amount of such taxes (an "Election") or (B) deliver to the Company shares other than Shares issuable upon exercise of such Option with a Fair Market Value equal to the amount of such taxes. An Election, if any, must be made on or before the date that the amount of tax to be withheld is determined. The Board of Directors may disapprove of any Election, may suspend or terminate the right to make Elections, may limit the amount of any Election, and may make rules concerning the required information to be included in any Election. Non-Employee Directors may only make an Election in compliance with the Rules established by the Company to comply with Section 16(b) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

SECTION 7. AMENDMENT AND TERMINATION; ADJUSTMENTS.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) AMENDMENTS TO THE PLAN. The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan; PROVIDED, HOWEVER, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval:

(i) would cause Rule 16b-3 to become unavailable with respect to the Plan;

(ii) would violate the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company; or

(iii) would cause the Company to be unable, under the Code, to grant Incentive Stock Options under the Plan.

(b) AMENDMENTS TO AWARDS. Except with respect to Awards granted pursuant to Section 6(h) of the Plan, the Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. The Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, without the consent of the Participant or holder or beneficiary thereof, except as otherwise herein provided.

(c) CORRECTION OF DEFECTS, OMISSIONS AND INCONSISTENCIES. The Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) may correct any defect, supply any omission or reconcile any

inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 8. INCOME TAX WITHHOLDING; TAX BONUSES.

(a) WITHHOLDING. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the federal and state taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (ii) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

(b) TAX BONUSES. The Committee, in its discretion, shall have the authority, at the time of grant of any Award under this Plan or at any time thereafter, to approve cash bonuses to designated Participants to be paid upon their exercise or receipt of (or the lapse of restrictions relating to) Awards in order to provide funds to pay all or a portion of federal and state taxes due as a result of such exercise or receipt (or the lapse of such restrictions). The Committee shall have full authority in its discretion to determine the amount of any such tax bonus.

SECTION 9. GENERAL PROVISIONS.

(a) NO RIGHTS TO AWARDS. Except as otherwise provided in Section 6(h) of the Plan, no Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) AWARD AGREEMENTS. No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company.

(c) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or

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continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ, or as giving a Non-Employee Director the right to continue as a Director, of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate such employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment, or terminate the term of a Non-Employee Director, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(e) GOVERNING LAW. The validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award, shall be determined in accordance with the laws of the State of Minnesota.

(f) SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors), such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors), materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(g) NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(h) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be

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deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 10. EFFECTIVE DATE OF THE PLAN.

The Plan shall be effective as of the date on which it is approved by the shareholders of the Company.

SECTION 11. TERM OF THE PLAN.

Unless the Plan shall have been discontinued or terminated as provided in Section 7(a), the Plan shall terminate on the date which is ten years after the date on which the Plan receives shareholder approval. No Award shall be granted after the termination of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond the termination of the Plan, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond the termination of the Plan.

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