

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 1 day of April, 1998 (the "Effective Date"), by and between **Ramsey Bank** (the "Association"), a federally chartered stock association, having its main office located at **Cando, North Dakota**, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C. 20552, acting through its Midwest Regional Director or his/her designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, based on the Report of Examination for the examination dated October 20, 1997 ("ROE"), the OTS is of the opinion that the Association has engaged in acts and practices that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Association, acting through its Board of Directors (the "Board"), without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

COMPLIANCE WITH LAWS, REGULATIONS & SAFE AND SOUND PRACTICES

1. Compliance with Regulations

The Association shall take all necessary and appropriate actions to achieve compliance with the following:

- A. Section 560.30 of the OTS regulations, 12 C.F.R. § 560.30 (regarding lending powers);
- B. Section 5(c)(2)(A) of the Home Owners' Loan Act ("HOLA"), 12 U.S.C. § 1464(c)(2)(A) (regarding lending authority);

- C. Section 560.160 of the OTS regulations, 12 C.F.R. § 560.160 (regarding asset classification);
- D. Section 562.1(b) of the OTS regulations, 12 C.F.R. § 562.1(b) (regarding reports and records);
- E. Section 563.134(c) of the OTS regulations, 12 C.F.R. § 563.134(c) (regarding notice or approval of capital distributions);
- F. Section 563.176 of the OTS regulations, 12 C.F.R. § 563.176 (regarding interest-rate-risk-management procedures); and
- G. Section 566.2 of the OTS regulations, 12 C.F.R. § 566.2 (regarding liquidity requirements).

CORRECTIVE PROVISIONS

2. Compliance Policy

- A. By the latter of February 27, 1998, or the Effective Date, the Association shall adopt, by Board resolution, and submit to the Regional Director a written Compliance Policy.
- B. The Association's written Compliance Policy shall establish procedures designed to ensure compliance with applicable laws and regulations and to correct, in a prompt manner, any and all violations of applicable laws and regulations that are known or should be known by the Board or the Association's management.
- C. If so directed in writing, the Association, by Board resolution, shall immediately amend its written Compliance Policy as directed in writing by the Regional Director and shall promptly submit a copy of the amended Compliance Policy to the Regional Director.
- D. The Association, and its Board, officers, employees, and agents, shall comply with its written Compliance Policy (as amended, if amended pursuant to the written direction of the Regional Director).

3. **Classification and Valuation Allowance Policy**

- A. By the latter of February 27, 1998, or the Effective Date, the Association shall adopt, by Board resolution, and submit to the Regional Director a written Classification and Valuation Allowance Policy.
- B. The Association's written Classification and Valuation Allowance Policy shall establish procedures designed to ensure that the Association classifies its assets and establishes adequate valuation allowances or charge-offs in accordance with Section 560.160 of the OTS regulations, 12 C.F.R. § 560.160, the guidelines set forth in the OTS Thrift Activity Handbook, generally accepted accounting principles, and the practices of the federal banking agencies.
- C. If so directed, the Association shall immediately amend, by Board resolution, its written Classification and Valuation Allowance Policy as directed in writing by the Regional Director and promptly submit a copy of the amended Classification and Valuation Allowance Policy to the Regional Director.
- D. The Association, and its Board, officers, and employees, and agents, shall comply with its written Classification and Valuation Allowance Policy (as amended, if amended pursuant to the written direction of the Regional Director).

4. **Interest Rate Risk Exposure**

The Association and its Board and officers shall act in accordance with the guidelines set forth in OTS Thrift Bulletin 13.

5. **Business Plan**

- A. By the latter of February 27, 1998, or the Effective Date, the Association shall adopt, by Board Resolution, and submit to the Regional Director a written Business Plan which sets forth financial projections for the Association in reasonable detail for the following three years on a quarterly basis. The Business Plan shall set forth the assumptions which underlie the projections.
- B. The Association shall, on an annual basis, update, by Board resolution, its written Business Plan such that it continues to provide financial projections for the Association in reasonable detail for the following three years on a

quarterly basis, setting forth the assumptions which underlie those projections. Updated Business Plans shall be promptly submitted to the Regional Director.

- C. If so directed in writing by the Regional Director, the Association shall revise, through Board resolution, its Business Plan in order to provide more detail or to reflect more reasonable assumptions and shall promptly submit the revised Business Plan to the Regional Director.

MISCELLANEOUS

6. Director Responsibility

Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Association at all times, including compliance with the determinations of the Regional Director as required by this Agreement.

7. Compliance With Agreement

- A. The Board and officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.
- B. The Board, on a quarterly basis, shall adopt a Board resolution (the "Compliance Resolution") formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Association has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
- C. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the

identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.

- D. *No later than the 25th Calendar Day of the month following the end of each calendar quarter, beginning with the first calendar quarter following the Effective Date, the Association shall, unless otherwise directed in writing, provide to the Regional Director a certified true copy of the Compliance Resolution adopted at the Board meeting. The Board, by virtue of the Association's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Association.*

8. **Definitions**

- A. *All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, Federal Deposit Insurance Act ("FDIA"), or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.*
- B. *For purposes of Sections 2, 3, 5, 6, and 7 hereof, OTS Assistant Directors of the Midwest Region are deemed to be designees of the Regional Director such that the actions of such Assistant Directors shall be deemed to constitute the actions of the Regional Director. However, nothing herein shall be construed to prevent the Regional Director from making other designations for purposes of the above-referenced sections of this Agreement or otherwise.*

9. **Successor Statutes, Regulations, Guidance and Amendments**

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

10. **Duration, Termination or Suspension of Agreement**

- A. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
- B. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

11. **Time Limits**

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

12. **Effect of Headings**

The Section headings herein are for convenience only and shall not affect the construction hereof.

13. **Separability Clause**

In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

14. **No Violations of Law, Rule, Regulation or Policy Statement Authorized:
OTS Not Restricted**

Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory enforcement or resolution action that the OTS determines to be appropriate.

15. **Successors In Interest/Benefit**

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

16. **Signature of Directors**

Each Director signing this Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

17. **Integration Clause**

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

18. **Enforceability of Agreement**

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, THE OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

RAMSEY BANK, CANDO, ND

By: 151
BRUCE E. BENSON
Regional Deputy Director
For the Regional Director

By: 151
LYNN M. HOGHAUG
President & Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

151
Lynn M. Hoghaug, Director ()

151
Robert J. Leever, Director

151
Jerald J. Bugliosi, Director

151
O. Roger Neameyer, Director

151
Paul Goulding, Director

151
Richard E. Johnson, Director

151
Charles T. Jerome, Director

**CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS**

I, the undersigned, being the duly appointed and qualified Secretary of Ramsey Bank, Cando, North Dakota, (the "Association") hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on February 24, _____, 1998;
2. At said meeting, a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except Richard Johnson) and all members of the Board of Directors (except Richard Johnson (absent)) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereby subscribed my name and affixed the seal of the Association on this 24th of February, 1998.

/s/
Name: Evan F. Heustis
Secretary, Ramsey Bank, Cando, ND

(Seal)