

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and effective this 4 th day of OCTOBER, 1990, by and between Horizon Savings Bank, S.A., West Allis, Wisconsin ("Institution") and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), Section 902 and 907, 101 Stat. 183 (1989) (codified as amended at 12 U.S.C. 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the laws and regulations to which the Institution is subject in conducting the business of the Institution, and has engaged in unsafe or unsound practices in conducting the business of the Institution as set forth in the Institution's Report of Examination dated April 26, 1990, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with laws and regulations, and unsafe or unsound practices set forth in the Institution's Report of Examination dated April 26, 1990 so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings:

NOW THEREFORE, IT IS AGREED that the Institution and its directors, officers, employees, and agents shall cease and desist from any violation of or the aiding and abetting of any violation of:

1. 12 C.F.R. Part 563.160(c)(2) and (3);
12 C.F.R. Part 563.170(c); and
12 C.F.R. Part 563.176.

IT IS FURTHER AGREED that:

2. Within 60 days from the effective date of this Agreement, the Board shall complete a study of the Institution's management, Board, and management structure, compensation and fees paid to officers and directors, staffing requirements and the adequacy of the independent auditors. The findings and recommendations of the Board shall be in writing and shall include:

- (a) identification of the staffing requirements of each major department of the Institution;
- (b) justification of compensation and fees paid to officers and directors;
- (c) and recommendations to correct or eliminate any other deficiencies in the supervision or organizational structure of the Institution.

3. Within 30 days of the completion of the Board's study, the Board shall adopt a written plan, with specific time frames, to eliminate any deficiencies in the Institution's Board, management, staffing or in supervision of management by the Board.

4. The Institution will have expanded the membership of its Board of Directors to a total of six directors no later than March 31, 1991. However, the Institution shall not be required to so expand its Board in the event the following occurs:

- (a) the Institution enters into an acceptable Agreement in Principle to be acquired by another financial institution or financial institution holding company on or before March 31, 1991; and
- (b) the Institution enters into a definitive agreement to be so acquired on or before May 31, 1991.

5. Copies of the Board's written plan and the Board's study shall be forwarded to the OTS for review and comment. In the event the management plan, or any portion thereof, is not implemented, the Board shall immediately advise the OTS, in writing, of the reasons for deviating from the management plan.

6. The Institution shall, within 45 days of the effective date of this Agreement, establish and submit for approval a comprehensive business plan for the fiscal years 1990 and 1991 ("Business Plan"). The Business Plan shall include pro forma quarterly financial statements (with relative assumptions). The Business Plan shall also include, but not be limited to, detailed goals and strategies for improving operating results. The Plan

shall set forth the specific actions that will be implemented to accomplish the stated goals as well as definitive time frames for accomplishing those goals. The Plan should address the maintenance of existing capital levels and the gradual increasing of capital so as to continue to meet minimum capital requirements.

7. The Institution shall establish and maintain such accounting and other records as will provide an accurate, complete and timely record of all business transacted by them. Accordingly, the following list describes the various specific minimum actions which the Institution shall immediately take in the area of books and records:

- (a) All general and subsidiary ledger accounts shall be updated on a timely basis and reconciled at least monthly;
- (b) All transactions should be properly recorded on the general ledger;
- (c) All bank accounts shall be reconciled at least monthly;
- (d) Monthly and quarterly reports to the OTS should be timely, complete and accurate; and
- (e) Minutes of all board of directors' meetings shall be maintained which adequately reflect any actions at such meetings, including the review of any reports by the Board.

7. The Institution shall immediately begin reporting its level of classified assets in the Quarterly Thrift Financial Reports ("TFR's") to the OTS. The Board meeting minutes should reflect the review of the institution's level of classified assets.

8. The Institution shall comply in all respects with 12 C.F.R. Part 563.176 and Thrift Bulletin 13 regarding the development and implementation of procedures for interest rate risk management. The Institution shall develop a plan for effectively reducing the level of interest rate risk. This plan shall be developed and submitted to the OTS within 45 days of the effective date of this Agreement.

9. The Board shall review the adequacy of the Institution's General Valuation Allowance ("GVA") and establish a program for the maintenance of an adequate GVA. The Institution will submit its GVA policy to the OTS within 45 days of the effective date of this Agreement. The program shall focus particular attention on the following factors:

- (a) results of the Institution's internal loan review;
- (b) loan loss experience;
- (c) concentrations of credits; and
- (d) present and prospective economic conditions.

Although the Board of the Institution is by this Agreement required to submit certain proposed actions and programs for the review or approval of the District Director or designee, the Board of the Institution has the ultimate responsibility for proper and sound management of the Institution.

It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Institution, nothing in this Agreement shall in way inhibit, estop, bar or otherwise prevent the OTS from doing so.

Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such limitation may be extended by the District Director or designee for good cause upon written application by the Board.

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 the rules and regulations adopted by the OTS (including, without limitation 12 C.F.R. Part 500.1 et seq., Part 541.1 et seq, and Part 561.1 et seq. (1986)). Any such technical words or terms used in this Agreement and undefined in said rules or regulations shall have meanings that accord with the best custom and usage in the thrift industry.

IN WITNESS WHEREOF, the OTS acting through the District Director, and the Institution, by its duly elected directors, have executed this Agreement on the date first above written. The Agreement shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Agreement shall have been amended, suspended, waived, or terminated by the OTS.

BY:

151
Director

151
Director

151
Director

151
Director

OFFICE OF THRIFT SUPERVISION

Date

BY: 151
~~District Director~~