

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 21st day of APRIL, 1992, by and between Home Federal Savings Bank, Spring Valley, Minnesota (OTS No. 2818) ("Institution") for itself and any wholly-owned or partly-owned subsidiary, 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 Sections 902 and 907 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73 ("FIRREA"), §§ 902 and 907, 103 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 regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. §§ 528.6(d) and 568.2 and 31 C.F.R. Part 103, 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 12 C.F.R. §§ 528.6(d) and 568.2 and 31 C.F.R. Part 103, as of November 12, 1991, 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, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

Bank Secrecy Act

1. The Institution shall comply with the requirements of the Bank Secrecy Act and its implementing Regulations including, but not limited to, those portions pertaining to currency transaction reports and monetary instrument logs.

Nondiscrimination Regulations

2. The Institution shall comply with 12 C.F.R. § 528.6(d) including, but not limited to, those portions pertaining to completion of a loan application register.

Bank Protection Act

3. The Institution shall comply with the Bank Protection Act and its implementing regulations including, but not limited to, those portions pertaining to the designation of a security officer.

Consumer Compliance Program

4. (a) Unless the Institution has already done so since the issuance of the Report of Examination for the most recent compliance examination prior to the effective date of this Agreement, within 90 days after the effective date of this Agreement, the board of directors of the Institution ("Board of Directors") shall establish and adopt a written program designed to ensure compliance ("Compliance Program") with the applicable consumer and public-interest related laws and regulations including, but not limited to, those referenced in Paragraphs 1-3 above.

(b) The Compliance Program (regardless of whether adopted before or after the effective date of this Agreement) shall provide for written policies and procedures that set forth the requirements of the applicable laws and regulations, including those referenced in subparagraph (a) hereof, as well as incorporate the OTS regulatory guidelines, and shall, at a minimum, include:

- (i) a designated individual(s) (compliance officer(s)) to coordinate and monitor the program;
- (ii) internal control;
- (iii) independent testing of compliance;
- (iv) training; and
- (v) any other specific requirements of the applicable laws and regulations.

(c) Within 30 days after the effective date of this Agreement, the Board of Directors shall designate a qualified Consumer Compliance Officer to coordinate and monitor the program.

(d) The Institution, acting through its Board of Directors, shall amend its Compliance Program (regardless of whether adopted before or after the effective date of this Agreement), or any portion thereof, in order to meet all statutory and regulatory requirements governing the operation of the Institution. The Board of Directors shall acknowledge, review and analyze each recommendation received from the Regional Deputy Director for Support, Midwest Region, or his successor or designee ("Regional Deputy Director"), regarding the sufficiency of the Compliance Program, and shall adopt such recommendations that it determines to be consistent with the safe and sound operation of the Institution, and shall, acting through its Board of Directors, officers, employees, and other agents, comply with the Compliance Program, as so amended (if so amended), and with the statutory and regulatory requirements referenced in this Agreement.

General Provisions

5. The Board of Directors shall, on a quarterly basis, formally resolve that, to the best of its knowledge and belief, and based on a prudent review of management reports, during the previous calendar quarter the Institution and its subsidiaries complied with each condition of this Agreement except as otherwise stated. The resolution shall specify in detail how, if at all, full compliance was found not to exist. The resolution further shall set forth any exceptions to any conditions of this Agreement approved by the Regional Deputy Director. Within ten days after the end of each calendar quarter, the Institution

shall submit to the Regional Deputy Director, a copy of the aforementioned resolution, and any supporting documents used by the Board to formulate the Resolution. Each director shall at such time either provide the Regional Deputy Director with certification that, to the best of his or her knowledge and belief, and based upon a prudent review, the above-reference resolution is accurate or provide the Regional Deputy Director with a written statement providing in detail the reason(s) for disagreement with the resolution.

6. (a) As used in this Agreement, the Regional Deputy Director or his successor is the "senior supervisory official" within the meaning of Section 723(d) of the FIRREA, Section 723(d), 103 Stat. 183 (1989).
- (b) As used in this Agreement, the term "subsidiary" or "subsidiaries" shall be as defined in 12 C.F.R. Section 567.1(dd).
- (c) 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 of this Agreement pursuant to Section 401(h) of the FIRREA, Section 401(h), 103 Stat. 183 (1989), and references to successor provisions as they become applicable.

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, and Federal Deposit Insurance Act, as amended ("FDIA"). 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.

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.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Regional Deputy Director.

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of Home Federal Savings Bank, Spring Valley, Minnesota (OTS No. 2818) ("Institution") hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on APRIL 21, 1992; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

RESOLUTION

WHEREAS the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and that such violations and practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS the said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's failure to comply with 12 C.F.R. §§ 528.6(d) and 568.2 and 31 C.F.R. Part 103, as of November 12, 1991, to which the Institution is subject, if the attached Supervisory Agreement ("Agreement") is executed by the Institution and if its terms are thereafter carried out by the Institution; and

WHEREAS the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the board of directors held on APRIL 21, 1992; and

WHEREAS after due consideration, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: Now, therefore, be it

RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the board of directors of the Institution. The officers and employees of the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the Agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of Home Federal Savings Bank, Spring Valley, Minnesota, this 23RD day of APRIL, 1992.

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Secretary