

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

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In the Matter of	)	Order No.: CN 11-17
	)	
<b>HOME SAVINGS BANCORP</b>	)	Effective Date: June 10, 2011
	)	
Little Falls, Minnesota	)	
OTS Docket No. H2417	)	
_____	)	

**AMENDED ORDER TO CEASE AND DESIST**

**WHEREAS**, Home Savings Bancorp, Little Falls, Minnesota, OTS Docket No. H2417 (Holding Company), by and through its Board of Directors (Board), has executed a Stipulation and Consent to Issuance of Amended Order to Cease and Desist (Stipulation); and

**WHEREAS**, the Holding Company, by executing the Stipulation, has consented and agreed to the issuance of this Amended Order to Cease and Desist (Amended Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director) is authorized to amend issued orders to cease and desist where a savings and loan holding company has consented to the amendment of an issued order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Cease and Desist.**

1. The Holding Company, its institution-affiliated parties,<sup>1</sup> and its successors and assigns,

<sup>1</sup> The term "institution-affiliated party" is defined at 12 C.F.R. § 1813(u).

shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in, counseling, or aiding and abetting the unsafe or unsound banking practices that resulted in the Holding Company operating with: (a) an inadequate level of capital protection for the volume, type, and quality of assets held by the consolidated Holding Company; and (b) inadequate earnings to fund expenses as described in the OTS Report of Examination of the Holding Company dated October 18, 2010.

**Amendment of Existing Order.**

2. This Amended Order amends the 2010 Order (OTS Order No. CN 10-24), which remains in full force and effect. The 2010 Order is hereby amended by the addition of the following:

*16. By June 30, 2011, the Holding Company shall submit to the Regional Director for review and comment an updated written plan for enhancing the consolidated capital and earnings of the Holding Company (2011 Capital Plan). The Capital Plan shall cover the period beginning with the quarter ending June 30, 2011 through the quarter ending December 31, 2012. At a minimum, the Capital Plan shall include all items listed in Paragraph 2(a) of the 2010 Order.*

*17. Upon receipt of written notification from the Regional Director that the 2011 Capital Plan is acceptable, the Holding Company shall implement and adhere to the 2011 Capital Plan. A copy of the 2011 Capital Plan shall be provided to the Regional Director within seven (7) days after Board approval.*

*18. Within forty-five (45) days after the end of each quarter, after implementation of the 2011 Capital Plan, the Board shall review written quarterly variance reports on the Holding Company's compliance with its 2011 Capital Plan (Variance Reports). The minutes of the Board meeting shall fully document the Board's review and discussion.*

*The Variance Reports shall:*

- (a) identify variances in the Holding Company's actual performance during the preceding quarter as compared to the projections set forth in the 2011 Capital Plan;*
- (b) contain an analysis and explanation of identified variances; and*
- (c) discuss the specific measures taken or to be taken by the Holding Company to address identified variances.*

*19. A copy of each Variance Report shall be provided to the Regional Director within seven (7) days after Board approval.*

3. The 2010 Order is also hereby amended by the deletion of the current language in Paragraph 5 and the replacement of the following language:

*5. Effective immediately, the Holding Company shall not, directly or indirectly, incur, issue, renew, rollover, or pay interest or principal on any debt or commit to do so, increase any current lines of credit, or guarantee the debt of any entity, without prior written notice to and written non-objection from the Regional Director. The Holding Company's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to incurring, issuing, renewing, rolling over or paying any interest or principal on any debt, increasing any current lines of credit, or guaranteeing the debt of any entity. The Holding Company's written requests for Regional Director non-objection to engage in such debt transactions, at a minimum, shall: (a) describe the purpose of the proposed debt; (b) set forth and analyze the terms of the proposed debt and covenants; (c) analyze the Holding Company's current cash flow resources available to satisfy such debt repayment; and (d) set forth the anticipated source(s) of repayment of*

*the proposed debt. For purposes of this Paragraph, the term “debt” includes, but is not limited to, loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt. For purposes of this Paragraph, the term “debt” does not include liabilities incurred in the ordinary course of business to acquire goods and services that are normally recorded as accounts payable or accruals under generally accepted accounting principles.*

**Effective Date, Incorporation of Stipulation.**

4. This Amended Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**Transfer Date.**

5. Following the Transfer Date, *see* Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. Law No. 111-203, § 311, 124 Stat. 1520 – 21 (2010), all submissions, requests, communications, consents or other documents relating to the 2010 Order and this Amended Order shall be directed to the Board of Governors of the Federal Reserve System (Board of Governors), or to the individual, division, or office designated by the Board of Governors.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Daniel T. McKee  
Regional Director, Central Region

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

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In the Matter of )	Order No.: CN 11-17
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<b>HOME SAVINGS BANCORP</b> )	Effective Date: June 10, 2011
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Little Falls, Minnesota )	
OTS Docket No. H2417 )	
_____ )	

**STIPULATION AND CONSENT TO ISSUANCE OF**  
**AMENDED ORDER TO CEASE AND DESIST**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), issued an Order to Cease and Desist (OTS Order No. CN 10-24) against Home Savings Bancorp, Little Falls, Minnesota, OTS Docket No. H2417 (Holding Company), pursuant to 12 U.S.C. § 1818(b), that became effective on June 2, 2010 (2010 Order); and

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to amend issued orders to cease and desist where a savings and loan holding company has consented to the amendment of an existing order; and

**WHEREAS**, the Holding Company desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Amended Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 - 3 below concerning Jurisdiction, hereby stipulates and agrees to the following

terms:

**Jurisdiction.**

1. The Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate cease and desist proceedings against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe or unsound acts or practices.

3. Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

**OTS Findings of Fact.**

4. Based on its October 18, 2010 examination of the Holding Company, the OTS finds that the Holding Company has engaged in unsafe or unsound practices by operating with: (a) an inadequate level of capital protection for the volume, type, and quality of assets held by the consolidated Holding Company; and (b) inadequate earnings to fund expenses as described in the OTS Report of Examination dated October 18, 2010.

**Consent.**

5. The Holding Company consents to the issuance by the OTS of the accompanying Amended Order to Cease and Desist (Amended Order). The Holding Company further agrees to comply with the terms of the Amended Order upon the Effective Date of the Amended Order and

stipulates that the Amended Order complies with all requirements of law.

**Finality.**

6. The Amended Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Amended Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

**Waivers.**

7. The Holding Company waives the following:
- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
  - (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
  - (c) the right to seek judicial review of the Amended Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Amended Order; and
  - (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Amended Order, whether arising under common law, federal statutes, or otherwise.

**OTS Authority Not Affected.**

8. Nothing in this Stipulation or accompanying Amended Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Holding Company if, at any time, the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**Other Governmental Actions Not Affected.**

9. The Holding Company acknowledges and agrees that its consent to the issuance of the Amended Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

10. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Amended Order.

11. If any provision of this Stipulation and/or the Amended Order 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 or her sole discretion determines otherwise.

12. All references to the OTS in this Stipulation and the Amended Order shall also mean any of the OTS's predecessors, successors, and assigns.

13. The section and paragraph headings in this Stipulation and the Amended Order are for convenience only and shall not affect the interpretation of this Stipulation or the Amended Order.

14. The terms of this Stipulation and of the Amended Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

15. The Stipulation and Amended Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

**Signature of Directors/Board Resolution.**

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance of the Amended Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of the execution of the Stipulation at a duly called board meeting.

**WHEREFORE**, the Holding Company, by its directors, executes this Stipulation.

**HOME SAVINGS BANCORP**  
**Little Falls, Minnesota**

Accepted by:  
**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Dirk S. Adams, Chairman

By: \_\_\_\_\_ /s/  
Daniel T. McKee  
Regional Director, Central Region

\_\_\_\_\_/s/  
Gary L. Olson, Director

Date: See Effective Date on page 1

\_\_\_\_\_/s/  
James R. Causey, Director

\_\_\_\_\_/s/  
Steven R. Stern, Director

\_\_\_\_\_/s/  
David C. Welch, Director