

AGREEMENT BY AND BETWEEN  
Homestead Savings Bank  
Albion, Michigan  
and  
The Comptroller of the Currency

Homestead Savings Bank, Albion, Michigan (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and members of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe or unsound banking practices relating to the lack of a formal strategic plan to improve earnings, failure to achieve and maintain adequate capital levels, and failure to estimate the inherent losses in the bank’s assets and establish reserves that are sufficient to absorb estimated losses.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 163.555, unless otherwise informed in writing by the Comptroller.

(6) Unless otherwise informed in writing by the Comptroller, all programs, reviews, or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Allyn R. Adams, Jr.  
Assistant Deputy Comptroller  
Cleveland Field Office  
200 Public Square, Suite 1610  
Cleveland, Ohio 44114

## ARTICLE II

### STRATEGIC AND PROFITABILITY PLAN

(1) Within sixty (60) days, the Board shall develop a written strategic plan for the Bank to include the information addressed in this Article for a period covering at least the next three (3) calendar years. The Strategic Plan shall establish objectives and projections for the Bank’s overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to

promote or develop, together with specific strategies to achieve those objectives and, at a minimum, include:

- (a) a formal profit plan to address the bank's deficient earnings;
- (b) a statement of quantifiable strategic goals and objectives to be accomplished over the short- and long-term with identified individual responsibilities, accountabilities, and specific timeframes;
- (c) an assessment of the Bank's present and future product lines (assets and liabilities) and business units (mortgage banking activities and retail non-deposit investment product activities) that will be utilized to accomplish the strategic goals and objectives established in Paragraph (1)(b) of this Article;
- (d) detailed strategies designed to improve and sustain earnings based upon an assessment of the Bank's present and future operating environment, with express consideration for the Bank's non-interest expenses (cost structure, personnel expense, and overhead expense);
- (e) a financial forecast to include realistic projections for major balance sheet and income statement accounts and desired financial ratios over a three-year (3) period;
- (f) a description of the operating assumptions that form the basis for major projected income and expense components; and

(g) procedures to monitor the Bank's actual results against budget projections and to provide for appropriate contingency plans based on any significant variances.

(2) Upon adoption, a copy of the Strategic Plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall promptly implement and thereafter adhere to the Strategic Plan.

(3) The Board shall ensure that the Bank does not initiate any action that deviates significantly from the Board-approved Strategic Plan without first receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller. The Board shall give the Assistant Deputy Comptroller at least sixty (60) days advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(4) Until the Strategic Plan required under this Article has been submitted by the Bank for the Assistant Deputy Comptroller's review, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, and is being implemented by the Bank, the Bank shall not significantly deviate from the products, services, asset composition and

size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed before this Agreement without first obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation. Any request to the Assistant Deputy Comptroller for prior written determination of no supervisory objection to a significant deviation must be submitted to the Assistant Deputy Comptroller in writing at least sixty (60) days in advance of the significant deviation and must contain the information and analysis required under Paragraph (3) of this Article.

(5) For purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, marketing partners, volume of activity, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

(6) The Board shall ensure that the Strategic Plan is updated annually, no later than July 31 each year, or more frequently if directed by the Assistant Deputy Comptroller, to cover the next three-year (3) period. The Bank shall submit the updated annual financial projections included in the Strategic Plan to the Assistant Deputy Comptroller within ten (10) days of completion. If there is no significant deviation to the Strategic Plan in the annual update other

than the updated financial projections, the Bank shall so certify to the OCC within ten (10) days of the Board's review and update. If the Bank proposes a significant deviation to the Strategic Plan in the annual update, or upon direction of the Assistant Deputy Comptroller, the Bank shall submit an Amended Strategic Plan to the Assistant Deputy Comptroller for review and shall not implement any proposed significant deviation until it has received a written determination of no supervisory objection from the Assistant Deputy Comptroller.

### ARTICLE III

#### CAPITAL PLAN

(1) Within sixty (60) days, the Board shall submit to the Assistant Deputy Comptroller for his review and prior written determination of no supervisory objection, a written Capital Plan for the Bank covering at least a three-year (3) period. The Capital Plan shall include:

- (a) specific plans for the achievement and maintenance of adequate capital;
- (b) projections for growth and capital requirements based upon an analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;

- (d) identification of the primary sources from which the Bank will strengthen its capital structure to meet the Bank's needs; and
- (e) contingency plans that identify alternative capital sources should the primary sources identified under paragraph (1)(d) of this Article be unavailable.

(2) Within fifteen (15) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan, the Board shall adopt, implement, and thereafter ensure Bank adherence to the Capital Plan. The Board shall review and update, as needed, the Bank's Capital Plan at least annually, and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Prior to adopting any subsequent amendments or revisions to the Capital Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection.

#### ARTICLE IV

##### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within forty-five (45) days, the Board shall adopt written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with U.S. generally accepted accounting principles ("GAAP"). The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination

Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses," dated December 13, 2006 (OCC Bulletin 2006-47) ("Interagency Statement") and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired, measuring the amount of impairment, and ensuring impairment testing is being performed, consistent with GAAP (including FASB ASC 310-10, *Receivables - Overall - Subsequent Measurement - Impairment*) and the Bank's established parameters. These procedures shall reference the most recent accounting and regulatory guidance;
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP (including FASB ASC 450-20, *Loss Contingencies*). These procedures shall require the Bank to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in the Interagency Statement. These procedures shall require the Bank to monitor adjustments made to the qualitative factors to ensure they are directionally consistent with Bank and market changes and trends;
- (c) procedures for validating the ALLL methodology; and



(d) a process for summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Call Reports for the ALLL.

(2) Within forty-five (45) days the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Reports. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL.

(3) Upon adoption, the Board shall submit a copy of the policies and procedures required by this Article, or any subsequent amendments or changes to those policies and procedures, to the Assistant Deputy Comptroller for determination of no supervisory objection.

(4) Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure adherence to the policies and procedures. The Board shall ensure that the Bank has processes, personnel, and control systems in place to ensure implementation of and adherence to the program developed pursuant to this Article.

## ARTICLE V

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

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

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of

any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/

9/17/14

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Allyn R. Adams, Jr.  
Assistant Deputy Comptroller  
Cleveland Field Office

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Retired	
_____ Terrence Deweerd	_____ Date
/s/	9/17/14
_____ Michael Frandsen	_____ Date
/s/	9/17/14
_____ Herman McCall	_____ Date
/s/	9/17/14
_____ Alan Parr	_____ Date
/s/	9-17-14
_____ Elizabeth Schultheiss	_____ Date
/s/	9-17-14
_____ John Shedd	_____ Date
/s/	9-17-14
_____ Margaret Sindt	_____ Date