

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)
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FIRST FEDERAL BANK, a fsb)
BERESFORD, SOUTH DAKOTA)
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Re: Resolution No. DM 91- 8
Dated: 5-30, 1991

STIPULATION AND CONSENT TO ISSUANCE
OF ORDER TO CEASE AND DESIST

The Office of Thrift Supervision ("OTS"), by and through its Regional Deputy Director for the Des Moines District Office, OTS, and First Federal Bank, a federal savings bank, Beresford, South Dakota, stipulate and agree as follows:

1. Consideration. The OTS, based upon information reported to it, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against First Federal Bank, a fsb, Beresford, South Dakota, pursuant to Section 8(b) of the Federal Deposit Insurance Act ("FDIA"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. § 1818(b)). First Federal Bank, a fsb, Beresford, South Dakota, desires to cooperate with the OTS and to avoid the time and expense of such administrative litigation and, without admitting or denying that such grounds exist, hereby stipulates and agrees to the following terms in consideration of the forbearance by the OTS from initiating such administrative cease-and-desist litigation against First Federal Bank, a fsb, Beresford, South Dakota, with respect to the matters covered in the accompanying Order to Cease and Desist ("Order").

2. Jurisdiction.

(a) First Federal Bank, a fsb, Beresford, South Dakota, is a "savings association" within the meaning of Section 3 of the FDIA and Section 2 of the Home Owners' Loan Act, as amended by FIRREA. Accordingly, it is an "insured depository institution" as that term is defined in Section 3(c) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1813(c)).

(b) Pursuant to Section 3 of the FDIA, as amended by FIRREA, the Director of OTS is the "appropriate Federal Banking agency" to maintain an enforcement proceeding against such a savings association. Therefore, First Federal Bank, a fsb, Beresford, South Dakota, is subject to the authority of the OTS to initiate and maintain a cease and desist proceeding against them pursuant to Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)).

3. Consent. First Federal Bank, a fsb, Beresford, South Dakota, consents to the issuance by the OTS of the Order. It further agrees to comply with the terms of the Order upon issuance and stipulate that the Order complies with all requirements of law.

4. Finality. The Order is issued under Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)). Upon its issuance by the Regional Deputy Director for the Des Moines District Office, OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of Section 8(i) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(i)).

5. Waivers. First Federal Bank, a fsb, Beresford, South Dakota, waives its right to a notice of charges and the administrative hearing provided by Section 8(b) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(b)), and further waives any right to seek judicial review of the Order, including any such right provided by Section 8(h) of the FDIA, as amended by FIRREA (to be codified at 12 U.S.C. § 1818(h)), or otherwise to challenge the validity of the Order.

WHEREFORE, in consideration of the foregoing, the OTS, by and through its Regional Deputy Director for the Des Moines District Office, OTS, and First Federal Bank, a fsb, Beresford, South Dakota,, by a majority of its directors, execute this Stipulation and Consent to Issuance of Order to Cease and Desist.

OFFICE OF THRIFT SUPERVISION

FIRST FEDERAL BANK, a federal
savings bank, BERESFORD,
SOUTH DAKOTA
by a majority of its directors

By: /S/
Donald W. Vente
Regional Deputy Director I
Des Moines District Office

/S/

Signing as a director of First Federal Bank, not as an individual

/S/

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ORDER TO CEASE AND DESIST

WHEREAS, First Federal Bank, a federal savings bank, Beresford, South Dakota, through its directors (not as individuals), has executed a Stipulation and Consent to Issuance of Order to Cease and Desist, which is incorporated herein by reference ("Stipulation") and is accepted and approved by the Office of Thrift Supervision ("OTS"), acting through its Regional Deputy Director for the Des Moines District Office; and

WHEREAS, First Federal Bank, a fsb, Beresford, South Dakota, in the Stipulation, has consented and agreed to the issuance of this Order to Cease and desist ("Order") pursuant to Section 8(b) of the Federal Deposit Insurance Act, as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA") (to be codified at 12 U.S.C. § 1818(b)).

NOW, THEREFORE, IT IS ORDERED that First Federal Bank, a fsb, Beresford, South Dakota, and its directors, officers, employees, agents, and service corporations shall cease and desist from any violation of, or the aiding and abetting of any violation of 12 C.F.R. § 563.161(b) pertaining to compensation of officers, directors and employees of savings associations and their service corporations.

IT IS FURTHER ORDERED THAT:

1. First Federal Bank, a fsb, Beresford, South Dakota, shall either:

(a) within 60 days of the date of this order, submit to the OTS an executed bona fide letter of intent to merge with or to be acquired by a qualified institution and, within 90 days after the submission of the executed letter of intent to the OTS, submit an application to the OTS as well as to any regulator of the proposed acquiror for such merger or acquisition; or

(b) within 90 days of the date of this order, shall submit a proposal to employ a chief executive officer believed to be acceptable to the Des Moines Regional Deputy Director and qualified to deal with the problems facing the institution. The request for the Regional Deputy Director's approval of a prospective applicant for this position shall contain all of the information that is required by the OTS for approval of a senior management official pursuant to Section 914 of FIRREA (codified at 12 U.S.C. § 1831i) or by any policy or regulation issued pursuant thereto.

(c) In the event that the letter of intent and the application for merger or acquisition are submitted pursuant to subparagraph (a), and the proposed transaction is disapproved or has not been consummated within six months of the date of the filing of the application, then within 90 days thereof the requirement of subparagraph (b) shall be fulfilled; provided, however, if at the end of the six-month period the application or transaction remains pending with the appropriate banking regulatory agencies, and in the opinion of the Regional Deputy Director

has not been delayed by any action or inaction on the part of First Federal Bank or the proposed acquiror, then the provisions of subparagraph (b) will not be triggered until such time as First Federal Bank receives notice that the application has been disapproved by the appropriate banking regulatory agencies.

(d) The 60-day, 90-day, and six-month periods referred to in this section may be extended for good cause solely at the discretion of the OTS.

2. Prior to First Federal Bank, a fsb, Beresford, South Dakota, being acquired by a qualified institution, it may not, without the express written consent of an authorized official of the OTS, pay any bonuses nor make any salary or benefit increases to its officers and directors. The term "benefits" as used herein includes but is not limited to the provision or use of automobiles or allowance therefor, payments of country club or other recreational dues or any severance pay packages; and

3. Within 45 days of the date of this Order First Federal Bank, a fsb, Beresford, South Dakota, must submit an amended Real Estate Owned Disposal Plan, an Interest Rate Risk Policy, and an Investment Policy that expand the current documents to address the following issues in a manner acceptable to the OTS. Provided that in the event that any such plans or policies are not acceptable to the OTS as originally submitted, First Federal Bank will receive a notice within 14 days of the date the plans and policies are received by the OTS by registered mail stating the specific deficiencies and will be given one opportunity to correct them within fourteen days of receipt by First Federal Bank of such

notice. If any such specific deficiencies are remedied to the satisfaction of the OTS within the fourteen day period, then said deficiencies will not be considered a violation of this Order.

a. Real Estate Owned Disposal Plan must:

1) Identify the specific REO properties and the time frames for liquidating the assets under market conditions;

2) Provide that all REO parcels be appraised upon acquisition unless they have been appraised within the previous 12 months.

b. Interest Rate Risk Policy must:

1) Include interest rate risk exposure limits that satisfy the guidelines of TB-13, as clarified and supplemented by TB-13-1 and TB-13-2;

2) Include acceptable strategies to reduce interest rate risk.

c. Investment Policy must:

1) Address investment policy and strategies for each different type of security portfolio in rising and falling interest rate environments within a reasonably foreseeable range of interest rates.

2) Set the desired rate of return on investments.

3) List the desired degree of interest rate risk or the desired asset/liability position.

4) Set out a plan for reinvestment of proceeds from sales.

5) Provide documentation requirements to support intent and ability to hold securities until maturity, including but not limited to procedures for documenting how First Federal Bank's sale, purchase, and

origination activities support its intent and ability to hold securities until maturity.

6) Address how Thrift Bulletin 41 and any other applicable OTS or accounting guidelines will be applied to First Federal Bank's securities portfolio policies and strategies.

7) Include a statement that prior to engaging in any hedging activity, the Board of Directors will authorize and obtain OTS approval for each hedging transaction; said authorizations will be in accordance with the policy and procedural requirements of OTS Regulations 563.174 concerning futures transactions and 563.175 concerning financial options transactions.

OFFICE OF THRIFT SUPERVISION

B. /S/

Donald W. Wente
Regional Deputy Director I
Des Moines District Office