

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 29th day of April, 1993 (the "Effective Date"), by and between Inter Savings Bank, fsb, Minneapolis, Minnesota, Docket No. 07071 ("ISB" or the "Association"), a federally chartered stock association, having its main office located at 250 South Second Avenue, Suite 229, Minneapolis, Minnesota, and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C.

WHEREAS, the OTS is the primary federal regulator of the Association; and

WHEREAS, based on the Report of Examination dated August 18, 1992 ("ROE"), the OTS, by and through the Regional Director for the Midwest Region or his designee ("Regional Director") is of the opinion that the Association has engaged in acts and practices in operating the business of the Association that: (i) have resulted in violations of certain of the laws or regulations to which the Association is subject and/or (ii) are considered to be unsafe and unsound; and

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Association; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Association will: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Board of Directors of the Association (the "Board") without admitting or denying any violations of laws or regulations and/or unsafe and unsound practices wishes to cooperate with the OTS and to evidence their intent to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

COMPLIANCE WITH LAWS AND REGULATIONS

1. The Association shall take all necessary and appropriate actions to achieve compliance with the following laws, regulations, and safe and sound business practices:
 - a. Section 563.170(c) of the OTS Regulations, 12 C.F.R. §563.170(c) (regarding establishment and maintenance of records):
 - b. Part 564 of the OTS Regulations, 12 C.F.R. §564.1 et seq. (regarding appraisals).

CORRECTIVE PROVISIONS

2. Regulatory Compliance

Within forty-five (45) days of the date of this Agreement, the Institution shall complete the following actions to promote compliance with applicable laws and regulations:

- a. Appoint a Regulatory Compliance Officer to implement a program for compliance with laws and regulations including, without limitation, 12 C.F.R. § 563.170 and § 564.4. This person, who must be an employee of the Institution that reports directly to the Board of Directors, will meet at least monthly with the Chairman of the Board and the Managing Officer of the Institution to discuss the Institution's efforts to comply with relevant laws and regulations as well as with the Agreement; detailed minutes of these meetings shall be maintained by the Regulatory Compliance Officer. The OTS acknowledges the engagement by the Institution of a consultant (on leave of absence from Arthur Anderson Consulting) to assist with compliance matters during the period October 1 - December 31, 1992, and the hiring and appointment of a regulatory compliance officer effective February 9, 1993;
- b. Provide a response detailing the corrective action taken to remedy all violations cited in the Report of Examination dated 8/8/92. The OTS acknowledges receipt of such response on December 14, 1992, and a follow-up report on 2/5/93 ("exam responses"), which responses were accepted by the OTS on 2/25/93. The Institution shall take all promised corrective actions and otherwise comply with said responses.

3. Loan Purchases

The Institution shall not purchase any whole or participation loans unless prior approval is given in writing by the Regional Deputy Director of the OTS or his designee.

4. Compliance with Board Resolution

Within sixty (60) days of the date of this Agreement, the board and management shall correct all deficiencies noted on pages 11 through 14 of the Report of Examination dated August 18, 1992, regarding compliance with the board resolution dated June 4, 1992. The Institution shall not modify the resolution, nor deviate from its terms unless prior written approval has been obtained from the Regional Deputy Director of the OTS or his designee. The OTS acknowledges receipt of the exam responses on the status of the Board Resolution.

5. Directors

Unless the Institution enters into a definitive agreement regarding the sale or merger of the Institution by August 1, 1993, the board of directors shall, by September 15, 1993, take all necessary actions to recompose the

board of directors such that a majority of the members are not employees of either ISB or any of its affiliates. The Institution shall submit applications to fill new or existing vacancies pursuant to the requirements of 12 U.S.C.A. § 1831i and the guidelines of OTS Thrift Bulletin 45. In the event that any of the applications are not approved, the Institution shall submit another such application within thirty (30) days of notification of disapproval and shall continue to do so until all board positions are filled. The ISB board shall meet on at least a monthly basis.

6. Board Action

Within forty-five (45) days of the date of this Agreement, the Institution shall compile a list of the minimum required information that must be reviewed at each monthly board meeting including significant financial reports and prior meeting minutes. This list shall be submitted to the OTS for approval and shall be deemed approved absent written notice to the contrary by the OTS within thirty (30) days of receipt. After making any changes that may be necessary to obtain OTS approval, the Institution shall review the information on the list at each board meeting. Additions to the list may be made without prior OTS review and approval; no deletions from the list shall be made without prior written approval of the OTS. All board meeting minutes shall adequately detail deliberations over board actions and decisions.

7. Staffing

- a. Within sixty (60) days of the date of this Agreement, the ISB board shall analyze the Institution's staffing needs and requirements given ISB's operations and strategies and submit a report to the OTS setting forth the results of such analysis and proposing staffing changes. Such report shall be reviewed and shall be deemed accepted by the OTS absent written objection by the OTS to the ISB Board within thirty (30) days of receipt.
- b. Unless the Institution enters into a definitive agreement regarding the sale or merger of the Institution by August 1, 1993, the Institution shall, by September 15, 1993: (i) employ a managing officer and chief lending officer (which may be the same person) who is acceptable to the OTS after first complying with the approval requirements of 12 U.S.C.A. §1831i (West 1992), and (ii) designate a full-time chief financial officer.

8. International Falls Building

Unless otherwise authorized in writing by OTS, the Institution shall continue to account for the International Falls bank building at a value of One Hundred Fifteen Thousand Dollars (\$115,000).

9. Business Plan

Within sixty (60) days of the date of this Agreement, the ISB board shall revise its business plan, and prepare a financial budget both of which

shall be submitted to the OTS for approval. The business plan must cover three years and must be revised every year thereafter. The OTS acknowledges receipt of such business plan on January 4, 1993. Such business plan and budget shall be deemed accepted by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement. After OTS approval is obtained, no material modification or deviation from the plan shall be made without the consent of the OTS, which consent shall be deemed to have been given by the OTS absent written notice to the contrary within thirty (30) days of receipt of written request.

10. Loan Review

The Institution shall take appropriate steps to ensure that all loans are properly categorized at the time of origination.

11. Internal Controls

Within thirty (30) days of the date of this Agreement, the Institution shall ensure that each internal control concern cited on pages 24 and 25 of the Report of Examination dated 8/18/92 is resolved and respond to the OTS in writing the steps taken to resolve each such concern. The OTS acknowledges receipt of such examination responses, which responses shall be deemed accepted by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement.

12. Loan Servicing Agreement

Within thirty (30) days of the date of this Agreement, the board shall execute a loan servicing agreement with Ted Glasrud Associates, Inc., and provide support for the adequacy of any fee charged. The OTS acknowledges receipt of confirmation of such agreement by the Institution on February 5, 1993.

13. Loan Origination Policies

With the exception of (i) loans on 1-4 family dwellings, (ii) construction lending on 1-4 family dwellings with permanent financing, and (iii) consumer loans, the Institution shall not originate any loans until (i) adequate policies for such other types of loans have been approved by the OTS and adopted by the Institution, and (ii) a managing officer acceptable to OTS has been employed by the Institution pursuant to Paragraph 6 of this Agreement. The OTS acknowledges receipt of Mortgage Lending and Consumer Lending Policies on December 12, 1992; such Loan policies shall be deemed approved by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement. After making any changes that might be required by the OTS, the policies shall be implemented and followed by the Institution. No modifications to any of these policies shall subsequently be made without the prior written approval of the OTS, which approval shall be deemed to have been given absent written notice to the contrary by the OTS within thirty (30) days of receipt of written request for modification.

14. Delinquencies

Within forty-five (45) days of the date of this Agreement, the Institution shall:

- a. provide the OTS with a status report on each classified asset in excess of \$30,000 (see Addendum A); and
- b. provide the OTS with a detailed written strategy to reduce delinquencies greater than sixty (60) days. The OTS acknowledges receipt of a Summary of Classified Assets and Strategy to Reduce Loan Delinquencies on December 12, 1992; this summary and strategy shall be deemed approved by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement. After making any changes that may be required by OTS, the Institution shall implement and follow the strategy. No modifications or deviations from the strategy shall be made without prior written approval of the OTS, which approval shall be deemed to have been given absent written notice to the contrary by the OTS within thirty (30) days of receipt of written request for modification or deviation.

15. Valuation Allowances and Discounts

Within forty-five (45) days of the date of this Agreement, the Institution shall provide the OTS with a methodology to periodically assess the reasonableness of the remaining purchased loan discounts, the GVAs, and the resulting carrying value of the purchased loans. The OTS acknowledges receipt of such methodology, as part of the Institution's Internal Asset Review Policy, on December 12, 1992; this methodology shall be deemed accepted by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement.

16. Policies

Within sixty (60) days of the date of this Agreement, the ISB board shall revise the following policies to address the deficiencies noted in the Report of Examination dated 8/18/92 and submit them to the OTS:

- a. an asset classification policy;
- b. an appraisal policy;
- c. a mortgage lending policy;
- d. a consumer lending policy; and
- e. a conflict of interest policy.

The OTS acknowledges receipt of these policies on December 12, 1992; each policy shall be deemed approved by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement. After making any changes that might be required by the OTS, the policies shall be implemented and followed by the Institution. No modifications to any of these policies shall subsequently be made without the prior written approval of the OTS which approval shall be deemed to

have been given absent written notice to the contrary by the OTS within thirty (30) days of receipt of written request for modification.

17. Capital Level

Within sixty (60) days of the date of this Agreement, the ISB board is to address, as part of the overall strategic planning for the Institution, the level of capital desired for the Institution. The analysis should include both the appropriateness of ISB's current capital level, and whether that level is adequate, as well as future minimum capital levels that the Institution must attain in light of the prompt corrective action requirements of 12 U.S.C.A. §1831o (West 1992).

18. Interest Rate Risk

Within sixty (60) days of the date of this Agreement, the Institution shall amend its interest rate risk policies as follows:

- a. adequate procedures and controls must be established to ensure the reliability of reports on interest rate risk.
- b. requiring all board minutes to demonstrate that the board regularly reviews and manages the Institution's interest rate risk as well as its compliance with existing regulations and the Institution's policy on interest rate risk.
- c. procedures must be established to ensure that the Institution's interest rate risk policy is being followed by management.
- d. the interest rate risk policy shall establish maximum acceptable changes to MVPE and net interest income (NII).

The OTS acknowledges receipt of such Interest Rate Risk Policy from the Institution on December 12, 1992; this policy shall be deemed approved by the OTS absent written notice to the contrary by the OTS within thirty (30) days of the date of this Agreement. After making any changes that might be required by the OTS, the policies shall be implemented and followed by the Institution. No modifications to any of these policies shall subsequently be made without the prior approval of the OTS which approval shall be deemed to have been given absent written notice to the contrary by the OTS within thirty (30) days of receipt.

19. Core Deposit Premium

Within sixty (60) days of the date of this Agreement, the Institution shall establish a program to amortize the core deposit premium associated with the September 1991 acquisition of two Florida branches and shall submit such program to the OTS for approval. Such program shall be deemed approved absent written notice to the contrary by the OTS within thirty (30) days of receipt. After making and changes necessary to obtain OTS approval, the Institution shall implement the program as approved.

20. Compliance with Agreement

The Board and Executive Officers of the Association shall take immediate action to cause the Association to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Association to continue to carry out the provisions of this Agreement.

MISCELLANEOUS

21. Definitions

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires: (a) the terms used in this Agreement have the meanings assigned to them in this Section 21 and include the plural as well as the singular; (b) all accounting terms not otherwise defined have the meanings assigned to them in accordance with generally accepted accounting principles in the United States, except that if such terms are defined in the Rules and Regulations of the OTS, such regulatory definitions shall be controlling; (c) all terms not otherwise defined herein that are defined in the HOLA, the FDIA, the Rules and Regulations of the OTS or its publicly available bulletins and Advisory Memoranda shall have the meanings assigned to them in such statutes, Rules and Regulations, Bulletins, and Advisory Memoranda; and (d) all technical words or terms not subject to a definition in this Agreement shall have the meanings that accord with the best custom and usage in the thrift and banking industries.

"Make" means (i) in the context of making a loan, to enter into a binding obligation (whether or not memorialized in writing) to provide loan funds; and (ii) the obtaining of a lender's interest in a pre-existing debt whether through a purchase, swap, or otherwise.

"OTS" refers to the Office of Thrift Supervision, United States Department of the Treasury, or its successor.

"Regional Director" or his successor is the senior supervisory official in the Midwest region of OTS. All references to the Regional Director shall include the Regional Director and/or his designee(s).

22. Successor Statutes, Regulations, Guidance, Amendments

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 and references to successor provisions as they become applicable.

23. Duration, Termination or Suspension of Agreement

- a. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof). The board of

directors may request termination at any time after receipt of an OTS examination report concluding that the Institution is in full compliance with this Agreement and in which the Institution receives a composite examination rating of "1" or "2". OTS approval of such request for termination will not be unreasonably withheld.

b. The Regional Director in his or her sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

24. Time Limits

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

25. Effect of Headings

The Section headings herein are for convenience only and shall not affect the construction hereof.

26. Separability Clause

In case any provision in this Agreement 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/her sole discretion determines otherwise.

27. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

Nothing in this Agreement shall be construed as: (i) allowing the Association to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting or estopping the OTS from taking any action(s) that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

28. Successors in Interest/Benefit

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. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

29. Signature of Directors

Each Director signing the Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Association.

30. Enforceability of Agreement

The Association represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Association. The Association acknowledges that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Association, in accordance with a duly adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By: _____
Harlan G. Halsne
Regional Deputy Director

INTER SAVINGS BANK, ~~Inc~~

By: 151 _____
Ted Glasrud, Sr.
Chief Executive Officer

DIRECTORS OF THE ASSOCIATION

151
~~Director~~ _____
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~~Director~~ _____
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Director _____
Director _____

Director _____
Director _____
Director _____
Director _____
Director _____

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Inter Savings Bank, fsb, Minneapolis, Minnesota, Docket No. 07071 ("the Association"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Association was held on April 27, 1993;
2. At said meeting a quorum was present and voting throughout;
3. The following is a true copy of resolutions duly adopted by the Association's Board of Directors, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Association wishes to cooperate with the OTS and to demonstrate that said Board and the Association have the intent and ability to: (1) comply with all applicable laws and regulations and (2) engage in safe and sound practices; and

WHEREAS, the Directors of the Association have read and considered the proposed Supervisory Agreement ("Agreement") which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of the Association have determined to cause the Association to enter into the proposed Agreement which is in the best interest of the Association;

NOW THEREFORE, BE IT RESOLVED, that the Association be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Association be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Association to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting (except _____) and all members of the Board of Directors (except _____) voted in favor of the resolution:

with reluctance and under duress

*Per WN 5/17/93,
agmt is binding - they
would have to prove
legal regs of "duress".*

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal
of the Association on this 29th day of April, 1993. no seal

Name: J. Ger. Paul
Title: Secretary, / Treasurer

(SEAL)