

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

Written Agreement by and between

SPRING GROVE INVESTMENTS, INC.  
Spring Grove, Minnesota

and

FEDERAL RESERVE BANK OF  
MINNEAPOLIS  
Minneapolis, Minnesota

Docket No. 09-027-WA/RB-HC

WHEREAS, in recognition of their common goal to maintain the financial soundness of Spring Grove Investments, Inc., Spring Grove, Minnesota (“Spring Grove”), a registered bank holding company that owns and controls Jennings State Bank, Spring Grove, Minnesota (the “Bank”), a state nonmember bank, and nonbank subsidiaries, Spring Grove and the Federal Reserve Bank of Minneapolis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on March 12, 2009, the board of directors of Spring Grove, at a duly constituted meeting, adopted a resolution authorizing and directing Steven Jennings, to enter into this Agreement on behalf of Spring Grove, and consenting to compliance with each and every provision of this Agreement by Spring Grove and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Spring Grove and the Reserve Bank agree as follows:

## **Dividends and Distributions**

1. (a) Spring Grove shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors of the Federal Reserve System (the “Board of Governors”).

(b) Spring Grove shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Spring Grove and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Spring Grove’s capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Spring Grove must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors’ Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

2. (a) Spring Grove and its nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Spring Grove shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Intercorporate Payments**

3. As of the date of this Agreement, Spring Grove shall not: (i) increase any current fee, including, but not limited to, lease payments, charged to the Bank; or (ii) impose, levy or, in any other manner, charge the Bank any new fees without the prior written approval of the Reserve Bank. All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed effective date of the change and shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each proposed increase or new fee, including a description of the type of services to be rendered and proposed benefits to the Bank.

### **Compliance with Laws and Regulations**

4. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Spring Grove shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Spring Grove shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

### **Progress Reports**

5. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

### **Communications**

6. All communications regarding this Agreement shall be sent to:

(a) Ms. Jacquelyn K. Brunmeier  
Assistant Vice President  
Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, Minnesota 55401-1804

(b) Mr. Steven C. Jennings  
Chairman of the Board of Directors  
Spring Grove Investments, Inc.  
126 W. Main Street  
Spring Grove, Minnesota 55974

### **Miscellaneous**

7. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to Spring Grove to comply with any provision of this Agreement.

8. The provisions of this Agreement shall be binding upon Spring Grove and each of its institution-affiliated parties, in their capacities as such, and their successors and assigns.

9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Spring Grove, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

11. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 18th day of March, 2009.

SPRING GROVE INVESTMENTS, INC.

FEDERAL RESERVE BANK OF  
MINNEAPOLIS

By: /s/ Steven C. Jennings  
Steven C. Jennings  
President

By: /s/James M. Barnes  
James M. Barnes  
Vice President