

AGREEMENT BY AND BETWEEN  
The First National Bank of Rembrandt  
Rembrandt, Iowa  
and  
The Comptroller of the Currency

The First National Bank of Rembrandt, Rembrandt, Iowa (the “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 shareholders 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 determined that the Bank has engaged in certain unsafe and unsound banking practices relating to loan administration and the failure to effectively manage and resolve loan officer conflicts and insubordination.

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. § 5.51(c)(6)(ii). 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) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Troy L. Thornton, Assistant Deputy Comptroller  
Omaha North Field Office  
13710 FNB Parkway, Suite 110  
Omaha, Nebraska 68154

## ARTICLE II

### COMPLIANCE COMMITTEE

(1) Within sixty (60) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least four (4) directors, of which no more than three (3) shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank’s adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within ninety (90) days of the date of this Agreement and after every calendar quarter thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) a description of the action needed to achieve full compliance with each Article of this Agreement;
  - (b) actions taken to comply with each Article of this Agreement; and
  - (c) the results and status of those actions.
- (4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

### ARTICLE III

#### LOAN OFFICER MANAGEMENT

- (1) Within sixty (60) days of the date of this Agreement, the Board shall ensure that all officers comply with all laws, rules, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.
- (2) Within sixty (60) days of the date of this Agreement, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit without:
- (a) documenting the specific reason or purpose for the extension of credit;
  - (b) identifying the expected source of repayment in writing;
  - (c) structuring the repayment terms to coincide with the expected source of repayment;
  - (d) obtaining current and satisfactory credit information, including information necessary to perform cash flow analysis;
  - (e) performing analysis of credit information to include a detailed cash flow analysis of all expected repayment sources;
  - (f) documenting the analysis of such credit information;

- (g) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (h) providing a risk assessment grade for each credit;
- (i) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
- (j) obtaining the written approval of the President, Bank's Discount Committee, or Board.

(3) Effective as of the date of this Agreement, the Board shall ensure that all lending officers provide any and all requested information to the President, Bank's Discount Committee, Board, or Chairman of the Board.

(4) Within thirty (30) days of the date of this Agreement, the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the Report of Examination conducted as of December 31, 2004 (the "ROE"), in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(5) Within thirty (30) days of the date of this Agreement, the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(6) Within sixty (60) days of the date of this Agreement, the Board shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in

any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(7) Effective as of the date of this Agreement, the Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed fifty thousand dollars (\$50,000) unless each of the following conditions is met:

- (a) the Board finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) the Board's formal written workout plan to collect or strengthen the criticized asset will not be compromised.

(8) Within ninety (90) days of the date of this Agreement, the Board shall take the necessary steps to ensure that each loan officer:

- (a) supervises an appropriate and reasonable portfolio of loans;
- (b) performs appropriate credit underwriting, particularly in the agricultural and consumer loan portfolios;
- (c) maintains open and amiable communications with, and provides adequate

information to, fellow employees, officers, or directors sufficient to ensure the Bank operates in a safe and sound manner;

(d) periodically, but no less than annually, provides information to management, the Board, and the Compliance Committee regarding:

(i) his/her outside business interests;

(ii) his/her outstanding and contingent liabilities that exceed twenty-five thousand dollars (\$25,000); and

(iii) his/her compliance with this Agreement, all laws, regulations, Bank policies and procedures, safe and sound banking practices, and fiduciary duties.

(9) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Article.

#### ARTICLE IV

##### POLICIES AND PROCEDURES

(1) Within ninety (90) days, the Board shall review, revise, and thereafter ensure Bank adherence to the Bank's written lending policy incorporating, at a minimum, policies to ensure that all loans secured by farmland, all loans to finance agricultural production, and all other loans to farmers (as defined in Instructions for Preparation of Consolidated Reports of Condition and Income) are structured and supervised according to prudent banking practices.

The Bank's revised lending policy shall:

(a) provide for segregation and classification of loans according to use of proceeds in the following categories:

(i) current year operating expenses;

- (ii) carry over debt from previous year's or years' operating loans;
  - (iii) loans secured by livestock or commodities;
  - (iv) intermediate term loans for purchase of equipment and machinery;
  - and
  - (v) loans for acquisition of land and loans for capital improvements;
- (b) ensure current, independent appraisals or current, independent in-house evaluations are maintained on all collateral for loans exceeding fifty thousand dollars (\$50,000);
- (c) provide for on-site inspections with written reports detailing the condition of farm assets and farm operations at least annually for aggregate borrowings exceeding:
- (i) fifty thousand dollars (\$50,000) for criticized assets as defined in Article III (6);
  - and
  - (ii) one hundred thousand dollars (\$100,000) for non-criticized assets.
- (d) require identification of repayment source(s) and establishment of specific repayment terms for each loan cited in (a)(i) through (a)(v) commensurate with the type and purpose of the loan, and the borrower's expected cash flow;
- (e) require an annual documented analysis of the cash flow and profitability of each borrower, whose aggregate borrowings exceeds twenty-five thousand dollars (\$25,000), including:
- (i) documentation of assumptions used in cash flow analysis, including product prices, anticipated expenses, and production levels;

- (ii) documented analysis of the borrower's ability to retire current operating loans and to meet established repayment terms on other loans; and
- (iii) determination of the period of time necessary to retire carry over debt, and the extent of reliance on liquidation of capital assets; and
- (f) require at least an annual review of the Bank's adherence to the revised lending policy.

(2) Subject to a prior written determination of no supervisory objection by the Assistant Deputy Comptroller, the Board may revise the Bank's lending policy to allow pre-approved officer lending limits, provided that the Board adopts and implements policies and procedures to ensure that such extensions of credit comport with the requirements of this Agreement, safe and sound banking practices, fiduciary principles, and sound business judgment.

(3) Upon completion, a copy of the revised lending policy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Within ten (10) days of the receipt of the determination of no supervisory objection, the revised lending policy shall be adopted and implemented, and the Board shall thereafter ensure Bank adherence to it.

(4) Within ninety (90) days of the date of this Agreement, the Board shall prepare a written, comprehensive conflict of interest policy applicable to the Bank's directors, principal shareholders, executive officers, affiliates, and employees ("Insiders") and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;



- (b) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of “related interests” as defined by 12 C.F.R. Part 215;
- (d) requirements for arms-length dealing in any transactions by Insiders, or their related organizations, involving the Bank’s sale, purchase, or rental of property and services;
- (e) disclosure of any Insider’s interest in the business of a borrower, an applicant, or other customer of the Bank; and
- (f) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.

(5) Upon completion, a copy of this conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. Within ten (10) days of the receipt of the determination of no supervisory objection, the policy shall be adopted and implemented, and the Board shall thereafter ensure Bank adherence to it.

(6) Within thirty (30) days of the adoption of the conflict of interest policy, the Board shall conduct a review of the Bank’s existing relationships with its directors, executive officers, affiliates, principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Board shall ensure that:

- (a) any nonconforming relationships are brought into conformity with the policy within ninety (90) days; and
- (b) that within ninety (90) days the Bank is properly reimbursed for:

- (i) any excess or improper payments to Insiders and their related interests; and
- (ii) any excess or improper payments for services provided by Insiders and their related interests.

Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any of its or directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

(7) Within ninety (90) days of the date of this Agreement, the Board shall develop, implement and thereafter adhere to a written Bank expenditure policy applicable to the Bank's officers, directors, and employees. The policy shall, at a minimum, address individual spending limitations by amount and type, both for individual expenditures and in the aggregate.

(8) Upon completion, a copy of the expenditure policy shall be submitted to the Assistant Deputy Comptroller for review.

(9) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

## ARTICLE V

### LOAN REVIEW CONSULTANT

(1) Within ninety (90) days, the Board shall employ a qualified, and independent, consultant to perform an ongoing asset quality and loan administration review of the Bank. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented and demonstrated to be effective.

(2) Prior to the appointment or employment of any individual to this loan review consultant or entering into any contract with a consultant, the Board shall submit the name and qualifications of the proposed consultant and the proposed terms of employment and scope of the loan review engagement to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection. The scope of the loan review engagement should include, at a minimum:

- (a) the adequacy and quality of loan administration by all loan officers;
- (b) the quality of the entire loan portfolio, as broken down by loan segments;
- (c) identification and conclusion on the volumes and types of inadequate credit and collateral information and lien perfection by portfolio segment and by loan officer;
- (d) identification of non-compliance with loan policy guidelines, in the aggregate and by loan officer;
- (e) adequate written communication to the Bank's Board of Directors; and
- (f) access by the Comptroller, or designees, to all work papers generated by the consultant.

(3) Before terminating the consultant's asset quality review services, the Board shall both certify the effectiveness of the internal asset quality review system, and receive prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(4) The requirement to submit information and the provisions for prior written determination of no supervisory objection in this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

## ARTICLE VI

### 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/  
\_\_\_\_\_  
Troy L. Thornton  
Assistant Deputy Comptroller  
Omaha North Field Office

8-29-05  
\_\_\_\_\_  
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.

\_\_\_\_\_  
Norman Eastman

\_\_\_\_\_  
Date

/s/

8/29/05

\_\_\_\_\_  
James C. Haraldson

\_\_\_\_\_  
Date

/s/

Aug 29, 2005

\_\_\_\_\_  
Janet Haraldson

\_\_\_\_\_  
Date

/s/

Aug 29, 2005

\_\_\_\_\_  
Ronald G. Haraldson

\_\_\_\_\_  
Date

/s/

Aug 29, 2005

\_\_\_\_\_  
Valerie Mosbo

\_\_\_\_\_  
Date