

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY

In the Matter of:

Community National Bank
North Branch, Minnesota

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AA-EC-07-57

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiners, has supervisory authority over Community National Bank, North Branch, MN (“Bank”) and his findings are contained in the Report of Examination dated as of September 30, 2006 (“ROE”);

The Bank, by and through it duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of an Order,” dated September 10, 2007, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

APPOINTMENT OF NEW DIRECTORS

(1) The Board shall immediately take action to add, at a minimum, two (2) new independent directors. The term "independent director" means a person who is not an officer or employee of the Bank, and who is not:

- (a) a director, officer or employee of any affiliate of the Bank;
- (b) a director, officer or employee of any related interest (as that term is defined in 12 C.F.R. § 215) of any current director, or
- (c) a relative of any current director.

(2) Prior to appointing any new director, the Bank must provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 (notice forms and instructions are in the “Changes in Directors and Senior Executive Officers” booklet of the Comptroller’s Corporate Manual).

(3) The Assistant Deputy Comptroller shall have the power of veto over the appointment of the proposed new director. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed director.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

(5) If the Board is unable to identify any qualified director candidates within ninety (90) days, the Board shall document its efforts to locate such candidates, and notify the Assistant Deputy Comptroller in writing. Thereafter, the Board shall provide monthly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

ARTICLE II

LOAN POLICY

(1) The Board shall, within forty-five (45) days, amend the Bank’s existing Loan Policy to:

- (a) expand Section III, entitled “General Lending Parameters,” to address extensions of credit to affiliates. This section should be designed to

ensure compliance with all applicable laws and regulations, including Sections 23A and 23B of the Federal Reserve Act and supporting regulations;

- (b) expand section V, entitled “Commercial Loan Guidelines,” subsections (4) “Land Development Loans to Contractors” and (5) “Construction Loans to Contractors” to:
 - (i) provide specific requirements on the timing, content, and frequency of property inspections; and
 - (ii) provide appropriate independence in the property inspection and loan disbursement process.
- (c) ensure that Section IX, entitled “Risk Management,” employs procedures and definitions which are consistent with OCC risk ratings and pages 13 through 21 of the Comptroller’s Handbook entitled, “Rating Credit Risk”;
- (d) incorporate policies and procedures into Section XI, entitled “Loan Review,” which reflect the independent loan review system required by Article V of this Order;
- (e) set forth the Bank’s methodology for valuing commercial real estate;
- (f) define events and circumstances that would cause a loan to be placed on nonaccrual status; and
- (g) incorporate a system whereby management submits detailed reports to the Board which would allow the Board to effectively monitor:
 - (i) concentrations of credit;
 - (ii) policy exceptions;

- (iii) renewal or extensions of loans without principal reductions;
- (iv) credit and collateral exceptions; and
- (v) loans with loan-to-value ratios that exceed the “Supervisory Loan-to-Value Limits” contained in Appendix A to Subpart D of 12 C.F.R. § 34.

(2) Immediately upon adoption of the amendments required by Paragraph (1), the Board shall ensure implementation of and strict adherence to the amended Loan Policy. The Board shall submit a copy of the amended Loan Policy to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

ARTICLE III

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated as of September 30, 2006 (“ROE”), in any subsequent Report of Examination, or by internal or external loan review.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the current value of supporting collateral and the position of the Bank's lien on such collateral where applicable;

- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding Two-Hundred Thousand dollars (\$200,000.00) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds Two-Hundred Thousand dollars (\$200,000.00);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(6) The Bank may 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 Two-Hundred Thousand dollars (\$200,000.00) only if 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 (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

- (b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board shall be maintained in the file of the affected borrower.

ARTICLE IV

SENIOR LENDING OFFICER

(1) Within thirty (30) days, the Board shall employ, appoint, or designate a senior lending officer who shall be vested with sufficient executive authority to implement policies, procedures, and systems consistent with this Order and the safe and sound operation of functions within the scope of that position's responsibilities. The duties and responsibilities of this individual shall be consistent with the Bank's existing job description for "Executive Vice President – Senior Lending Officer."

(2) If the senior lending officer position mentioned in Paragraph (1) of this Article becomes vacant in the future, the Board shall within sixty (60) days of such vacancy employ, appoint, or designate a capable person to the vacant position who shall be vested with the authority and responsibilities outlined in Paragraph (1) of this Article.

ARTICLE V

INDEPENDENT LOAN REVIEW

(1) The Board shall within ninety (90) days employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses" booklets of the Comptroller's Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (f) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

ARTICLE VI

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those 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.

(2) Within ninety (90) days 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.

(3) If the Board is unable to obtain the credit information or collateral documentation required by Paragraphs (1) or (2) of this Article within ninety (90) days, the Board shall document its efforts to obtain such information or documentation, and maintain the documentation of its efforts in the loan file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (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 and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (4)(d) shall require a majority of the full Board to certify in writing the specific reasons why obtaining and analyzing the information in (4)(d) would be detrimental to the best interests of the Bank.
 - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE VII

NONACCRUAL LOANS

(1) The Bank shall immediately reverse or charge off all interest that has been accrued contrary to the requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income (“Call Report Instructions”) governing nonaccrual loans. Further, the

Bank shall immediately reverse or charge off that portion of the remaining accrued interest on such loans that, when combined with principal, is not protected by sound collateral values.

(2) Within forty-five (45) days, the Board shall adopt, implement, and ensure adherence to written policies and procedures governing nonaccrual loans. Such policies and procedures shall:

- (a) address the identification of and accounting treatment for nonaccrual loans consistent with the guidance contained in the Call Report Instructions;
- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and
- (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

(3) Upon adoption, a copy of the written policies and procedures shall be forwarded to the Assistant Deputy Comptroller for a determination of no supervisory objection and the Board shall thereafter ensure Bank adherence to all policies and procedures developed pursuant to this Article.

ARTICLE VIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with generally accepted accounting principles. The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Policy Statement on Allowance for Loan and Lease Losses

Methodologies and Documentation for Banks and Savings Institutions” dated July 6, 2001 (OCC Bulletin 2001-37), and shall at a minimum include:

- (a) the primary elements of the Bank’s ALLL methodologies;
- (b) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan;
- (c) procedures for segmenting the loan portfolio and estimating loss on groups of loans, consistent with FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies;
- (d) procedures for validating the ALLL methodology;

(2) a process for summarizing and documenting, for the Board’s review and approval, the amount to be reported in the Consolidated Reports of Condition and Income (“Call Reports”) for the ALLL. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Call Reports, by additional provisions from earnings.

ARTICLE IX

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program sufficient to:

- (a) detect irregularities and weak practices in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;

- (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
- (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification;
- (e) adequately cover all areas; and
- (f) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) The Board shall ensure that the audit function is supported by an adequately staffed department or outside firm, with respect to both the experience level and number of the individuals employed.

(4) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party, including any individual who is a director.

(5) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

ARTICLE X

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The monthly progress reports required by Article XV of this Order shall include the date and manner in which each correction has been effected during that reporting period. If the Board, for reasons outside the Board's control, is unable to correct the violation of law, rule, or regulation cited in the ROE or in any subsequent Report of Examination, the Board shall document its efforts to correct the violation along with the reasons why it cannot be corrected, and submit that documentation along with the monthly progress reports required by Article XV.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE.

(3) Within ninety (90) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to procedures as outlined in Paragraph (2) of this Article. Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(4) Within ninety (90) days, the Board shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

ARTICLE XI

NON-INTEREST EXPENSE REPORTING

(1) Within ninety (90) days, the Board shall prepare, implement, and thereafter ensure adherence to a written program designed to ensure that all non-interest expenses and fixed asset purchases of the Bank are for legitimate Bank purposes. This program shall include, at a minimum:

- (a) a requirement that the Bank shall not pay, or reimburse directors or employees, for non-interest expenses or fixed asset purchases which are not reasonable, commensurate with the fair value of the goods or services provided, and incurred for a legitimate purpose of the Bank;
- (b) a requirement that all non-interest expense items and fixed asset purchases be supported by a related invoice or other documentation containing sufficient information relating to the goods or services provided to identify its legitimate Bank purpose;
- (c) a requirement that management shall provide the Board with monthly reports listing the Bank's fixed asset purchases for the period, and that the Board shall determine whether such purchases are consistent with the requirement set forth in Paragraph (1)(a) of this Article; and

(d) a requirement that management shall provide the Board with monthly reports listing all of the Bank's non-interest expenses for the period which were incurred by, or for the benefit of, officers or directors of the Bank, and that the Board shall determine whether such expenses are consistent with the requirement set forth in Paragraph (1)(a) of this Article.

(2) Upon adoption, a copy of the written program developed pursuant to this Article shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(3) Within thirty (30) days, the Board shall conduct a review of the Bank's non-interest expenses and fixed asset purchases for the period beginning January 1, 2006, until the present, to identify expense items which would not meet the requirements of Paragraphs (1)(a) or (1)(b) of this Article if incurred subsequent to adoption of the written program required by this Article. The Board shall ensure that all nonconforming expense items during this period are either supported by documentation showing that the expense was indeed incurred in accordance with Paragraph (1)(a) of this Article or reimbursed by the responsible party.

(4) All documentation required by Paragraph (1)(b) of this Article shall be preserved in the Bank, and all determinations of the Board pursuant to Paragraph (1)(c) of this Article shall be recorded in the Board minutes.

ARTICLE XII

CONFLICT OF INTEREST POLICY

(1) Within thirty (30) days, the Board shall amend, and thereafter ensure Bank adherence to its Conflict of Interest/Code of Ethics Policy and Procedures. The amendments shall include, at a

minimum, a provision stating that all directors, officers, and employees of the Bank or the Bank's holding company:

- (a) Must not advance his or her own personal or business interests, or those of others with whom he or she has a personal or business relationship, at the expense of the Bank; and
- (b) Must, if he or she has an interest in a matter or transaction before the Board:
 - (i) disclose to the Board all material nonprivileged information relevant to the Board's decision on the matter or transaction, including the existence, nature, or extent of his or her interests and the facts known to him or her as to the matter or transaction under consideration;
 - (ii) refrain from participating in the Board's discussion of the matter or transaction; and
 - (iii) recuse him or her self from voting on the matter or transaction.

(2) Upon adoption of the amendments, a copy of the amended conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller for review and determination of no objection.

ARTICLE XIII

AFFILIATES - TRANSACTIONS BETWEEN

(1) The Bank may, directly or indirectly, pay money or its equivalent to or for the benefit of, or extend credit in any form to or for the benefit of, its affiliates (as defined in 12 U.S.C. §§ 221a

and 371c), or transfer assets between the Bank and its affiliates, or enter into or engage in any transaction that obligates the Bank to do the same only after:

- (a) the Board has conducted an independent review of the action, that is documented in writing; and
- (b) the Board has determined in writing that it is advantageous for the Bank to engage in such action, and that the action complies with all applicable laws, rules, regulations, and Comptroller's issuances, including, but not limited to 12 U.S.C. §§ 371c and 371c-1.

(2) After engaging in any transaction covered by this Article, the Board shall notify the Assistant Deputy Comptroller of such action as part of the monthly progress reports required by Article XV of this Order.

ARTICLE XIV

HIGHER CAPITAL MINIMUMS

(1) The Bank shall achieve by September 30, 2007, and thereafter maintain, the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eleven percent (11%) of adjusted total assets.¹
- (b) Total risk based capital at least equal to fourteen percent (14%) of risk weighted assets.

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

(2) The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) The Board may declare a dividend only upon receiving a prior determination of no supervisory objection from the Assistant Deputy Comptroller.

ARTICLE XV

PROGRESS REPORTING

(1) The Board shall submit monthly progress reports to the Assistant Deputy Comptroller, Minneapolis North Field Office, 920 Second Avenue South, Suite 800, Minneapolis, MN 55402.

These reports shall set forth in detail:

- (a) actions taken since the prior progress report to comply with each Article of the Order;
- (b) results of those actions; and
- (c) a description of the actions needed to achieve full compliance with each Article of this Order.

(2) The progress reports shall also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the Report of Examination or in any future Report of Examination.

(3) The first progress report shall be submitted for the period ending August 31, 2007 and will be due within Thirty (30) days of that date. Thereafter, progress reports will be due within Thirty (30) days after the month end.

ARTICLE XVI

CLOSING

(1) Although the Board is by this Order is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, 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 it by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order 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 Order;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, 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.

IT IS SO ORDERED, this 10th day of September, 2007.

/s/

Thomas J. Tott
Assistant Deputy Comptroller
Minneapolis North Field Office

APPENDIX A
Community National Bank
North Branch, MN

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds _____ dollars (\$____) and retain the original in the credit file for review by the examiners. Submit your reports (**monthly/quarterly**) until notified otherwise, in writing, by the Assistant Deputy Comptroller.

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	
)	
Community National Bank)	AA-EC-07-57
North Branch, Minnesota)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against Community National Bank, North Branch, MN (“Bank”) pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges for unsafe and unsound banking practices relating to commercial lending and weak internal controls.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated September 10, 2007 (“Order”);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Office of the Comptroller of the Currency ("OCC") is "the appropriate Federal banking agency" regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1818(b)(1).

(4) This Order shall cause the Bank to be designated as in "troubled condition," as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Order shall cause the Bank not to be designated as an "eligible bank" for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

ARTICLE II

AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). 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 its supervisory powers, including 12 U.S.C. § 1818(i), 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.

(3) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the United States Department of the Treasury, the OCC, or any other federal bank regulatory agency or entity, or

any officer or employee of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
 - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818 (i), 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER ACTION

(1) The Bank agrees that the provisions of this Stipulation shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/s/

September 10, 2007

Thomas J. Tott
Assistant Deputy Comptroller
Minneapolis North Field Office

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.

/s/

September 6, 2007

William Sandison

Date

/s/

September 6, 2007

Ross Sandison

Date

/s/

September 6, 2007

Connie Sandison

Date

/s/

September 6, 2007

Jerome Peterson

Date

/s/

September 6, 2007

Marlys Peterson

Date

/s/

September 6, 2007

Jeffrey Peterson

Date