

#2008-006

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

In the Matter of:)
First Integrity Bank, N.A.)
Staples, Minnesota)

AA-EC-08-01

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has examined First Integrity Bank, N.A., Staples, Minnesota (“Bank”), and his findings are contained in the Report of Examination dated as of September 30, 2007 (“ROE”);

WHEREAS, in the interests of cooperation, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation and Consent”), dated January 31, 2008, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference herein, the Bank, without admitting or denying any wrongdoing, has consented to the issuance of this Consent Order (“Order”) by the Comptroller; and

NOW, THEREFORE, the Comptroller, acting by and through his designated representative and by virtue of the authority conferred by 12 U.S.C. § 1818(b), **HEREBY ORDERS THAT:**

ARTICLE I

PROGRESS REPORTING - MONTHLY

(1) Within thirty (30) days from the effective date of this Order and monthly thereafter, the Board shall submit to the Director for Special Supervision (“Director”) a written progress report setting forth in detail:

- (a) actions taken since the prior progress report to comply with each Article of this 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) All correspondence related to this Order, and any information or documentation required hereunder to be submitted to the Director, shall be sent by overnight mail or hand delivery to:

Director for Special Supervision
Office of the Comptroller of the Currency
Mail Stop 6-4
250 E Street, SW
Washington, DC 20219

A copy shall also be sent by overnight mail or hand delivery to:

Alexandria Field Office
Office of the Comptroller of the Currency
1309 Highway 29 North, Suite 102
Alexandria, MN 56308

ARTICLE II

STRATEGIC PLAN

(1) Within ninety (90) days from the effective date of this Order, the Board shall develop a written strategic plan for the Bank to ensure compliance with the requirements set forth in this Article (“Strategic Plan”). The Board shall ensure that the Strategic Plan covers at least a three-year period, addresses the closure of the Florida LPO, establishes objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of non-performing assets, product

line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, includes:

- (a) a mission statement that forms the framework for the establishment of strategic goals and objectives;
- (b) an assessment of the Bank's present and future operating environment, including a determination of the Bank's overall risk profile;
- (c) a description of strategic goals and objectives to be accomplished over the short and long term;
- (d) a description of the Board's action plan to accomplish identified strategic goals and objectives, including individual responsibilities of Board members and management, accountability, and specific time frames;
- (e) an identification of the Bank's present product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in subparagraph (1)(c) of this Article;
- (f) the identification of future product lines and market segments that the Bank intends to promote or develop in addition to those identified pursuant to subparagraph (1)(e) above, if any;
- (g) an evaluation of the Bank's internal operations, staffing requirements, Board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under subparagraph (1)(c) of this Article;
- (h) a description of the actions to be taken by the Board and the systems utilized to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior written determination of no supervisory objection.

(3) Immediately upon receipt of a written determination of no supervisory objection, the Board shall adopt, implement and thereafter ensure compliance with the terms of the Strategic Plan developed pursuant to this Article.

(4) The Bank may not deviate significantly from the Board-approved Strategic Plan without a written determination of no supervisory objection from the Director. The Board must give the Director advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the change in the Strategic Plan.

(5) For the purposes of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's marketing strategies, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any of which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance.

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

ARTICLE III

PROFIT PLAN

(1) Within ninety (90) days from the effective date of this Order, the Board shall develop, implement, and thereafter ensure adherence to a written profit plan to sustain the earnings of the Bank (“Profit Plan”). This Profit Plan shall cover at least a three-year period, be consistent with the Strategic Plan developed pursuant to Article II, and shall include, at minimum, the following elements:

- (a) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (b) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (c) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The Board shall submit the budgets and related documents required by paragraph (1) of this Article for 2008 to the Director upon completion. Thereafter, prior to each new calendar year, the Board shall submit to the Director annual budgets as described in paragraph (1) of this Article.

(3) On a quarterly basis, the Board shall forward to the Director comparisons of its actual balance sheet and profit and loss statement to the Profit Plan’s projections, and if applicable, include a written analysis explaining the failure to meet projections.

(4) The Board shall ensure that the Bank develops and thereafter maintains processes, personnel, and control systems sufficient to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE IV

CAPITAL PLAN AND HIGHER MINIMUMS

(1) Within ninety (90) days, the Bank shall achieve and maintain, at a minimum, the following capital levels (as defined in 12 C.F.R. Part 3)¹:

(a) Tier 1 capital at least equal to eleven percent (11%) of risk-weighted assets; and

(b) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets.²

(2) If the Bank fails to achieve or maintain the minimum level of capital required by paragraph (1) of this Article, then the Bank shall be deemed, at best, “undercapitalized,” and the Bank shall take such corrective measures as the OCC may direct from among the provisions applicable to undercapitalized depository institutions under 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 6. For purposes of this requirement, an action “necessary to carry out the purpose of this section” under 12 U.S.C. § 1831o(e)(5) shall include restoration of the Bank’s Tier 1 capital to the minimum levels required by this Agreement, and any other action deemed advisable by the OCC to address the Bank’s capital deficiency or the safety and soundness of its operations.

(3) Within ninety (90) days from the effective date of this Order, the Board shall develop and thereafter ensure Bank adherence to a three-year capital plan (“Capital Plan”) that is consistent with the strategic plan developed pursuant to Article II, and shall include, at minimum:

¹ 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).

² 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.

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available;
- (f) a prohibition on the payment of directors fees unless the Bank is in compliance with the minimum capital ratios identified in paragraph (1);
- (g) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital plan;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior written determination of no supervisory objection by the Director.

(4) Upon completion, the Bank's Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Director, the Bank shall implement and adhere to the Capital Plan. The Board shall review and update the Bank's Capital Plan on an annual basis or more frequently if necessary, or if requested by the Director. Revisions to the Bank's Capital Plan shall be submitted to the Director for prior written determination of no supervisory objection.

(5) If the Director determines, in his sole judgment, that the Bank failed to submit an acceptable Capital Plan as required by paragraph (2) of this Article, or fails to implement or adhere to a Capital Plan for which the Director has taken no supervisory objection pursuant to paragraph (4) of this Article; then within thirty (30) days of receiving written notice from the Director of such fact, the Bank shall develop and shall submit to the Director for his review and prior written determination of no supervisory objection a Disposition Plan, which shall detail the Board's proposal to sell or merge the Bank, or liquidate the Bank under 12 U.S.C. § 181.

(6) In the event that the Disposition Plan submitted by the Bank's Board outlines a sale or merger of the Bank, the Disposition Plan, at a minimum, shall address the steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the Disposition Plan. If the Disposition Plan outlines a liquidation of the Bank, the Disposition Plan shall detail the actions and steps necessary to accomplish the liquidation in conformance with 12 U.S.C. §§ 181 and 182, and the dates by which each step of the liquidation shall be completed, including the date by which the Bank will terminate the national bank charter. In the event of liquidation, the Bank shall hold a shareholder vote pursuant to 12 U.S.C. § 181, and commence liquidation, within thirty (30) days of receiving the Director's written determination of no supervisory objection to the Disposition Plan.

(7) After the Director has advised the Bank in writing that he does not take supervisory objection to the Disposition Plan, the Board shall immediately implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan. Failure to submit a timely, acceptable Disposition Plan, or failure to implement and adhere to the Disposition Plan after the Board obtains a written supervisory non-objection from the Director, may be deemed a violation of this Order, in the exercise of the Director's sole discretion.

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

ARTICLE V

NEW SENIOR LENDING OFFICER

(1) Within sixty (60) days from the effective date of this Order, the Board shall identify a new capable and permanent candidate for Senior Lending Officer of the Bank who, following review and written no objection by the Director, shall be employed and vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank.

(2) Prior to the employment of any individual as Senior Lending Officer, the Board shall submit to the Director the following information:

- (a) the information sought in the “*Changes in Directors and Senior Executive Officers*” booklet of the Comptroller’s Corporate Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(3) The requirement to submit information and the no objection 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.

ARTICLE VI

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days from the effective date of this Order, the Board shall develop, implement and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure adherence to the Bank's loan policy;
- (b) a system to document loan policy exceptions;
- (c) procedures to ensure satisfactory and perfected collateral documentation;
- (d) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information; and,
- (e) procedures to track and analyze concentrations of credit.

(2) On a monthly basis, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans;
- (b) the identification and amount of delinquent loans;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) an analysis of concentrations of credit and their impact on the credit quality of the Bank's loan portfolio; and,
- (f) the identification of loans not in conformance with the Bank's lending policies.

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

ARTICLE VII

CREDIT AND COLLATERAL EXCEPTIONS

(1) The Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the ROE (within sixty (60) days from the effective date of this Order), in any subsequent Report of Examination (within sixty (60) days from the issuance of such Report of Examination), in any internal or external loan review (within sixty (60) days from the completion of such review), or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination (within sixty (60) days from receipt of such listing).

(2) The Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE (within sixty (60) days from the effective date of this Order), in any subsequent Report of Examination (within sixty (60) days from the issuance of such Report of Examination), in any internal or external loan review (within sixty (60) days from the completion of such review), or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination (within sixty (60) days from the receipt of such listing).

(3) 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) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable; and
- (e) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations.

ARTICLE VIII

APPRAISALS OF REAL PROPERTY

(1) Within thirty (30) days from the effective date of this Order, the Bank shall perform a search of its files to identify all loans where real estate was taken as collateral and determine, for those loans, if a current valid appraisal is in file.

(2) In cases where an appraisal was not obtained, or is deficient, the Bank shall immediately order a new appraisal and specifically instruct the appraiser(s) to comply with the requirements of 12 C.F.R. Part 34.

(3) Within ninety (90) days from the effective date of this Order, the Board shall develop and implement an appraisal review and analysis process to ensure that appraisals conform to appraisal standards, regulations, and Bank policy. The appraisal review and analysis process shall ensure:

- (a) that appraisals are performed in accordance with 12 C.F.R. Part 34;
- (b) are consistent with the guidance in *OCC Bulletin 2005-6*, "Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions: Frequently Asked Questions", dated March 22, 2005;
- (c) are consistent with *Advisory Letter 2003-9*, "Independent Appraisal and Evaluation Function", dated October 28, 2003; and

(d) are consistent with the Bank's written loan policy.

(4) Written documentation supporting each appraisal review and analysis shall be retained in the loan file along with the appraisal.

ARTICLE IX

LOAN REVIEW

(1) Within sixty (60) days from the effective date of this Order, the Board shall 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) The Board shall maintain an effective, independent and on-going loan review system to review 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 overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans;
- (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 policies.

(3) 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 X

CRITICIZED ASSETS

(1) The Bank 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 subsequent to the date of this Order.

(2) The Board shall adopt, implement, and thereafter ensure Bank adherence to a written criticized asset plan designed to eliminate the basis of criticism of assets criticized in the ROE (within thirty (30) days from the effective date of this Order), in any subsequent Report of Examination (within thirty (30) days from the issuance of such Report of Examination), or by any internal or external loan review (within thirty (30) days from the completion of such review), or in any list provided to management by the National Bank Examiners during any examination subsequent to the date of this Order (within thirty (30) days of the receipt of such listing) as "doubtful," "substandard," or "special mention." This plan shall include, at a minimum:

- (a) a detailed history of the credit, including payment performance;
- (b) an identification of the expected sources of repayment;
- (c) the appraised value of supporting collateral and the position of the Bank's lien on such collateral, where applicable;
- (d) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; if, however, the Bank is unable to obtain current credit information on a criticized

asset, the efforts made to obtain the information should be fully documented and maintained in the credit file; and

- (e) the proposed action to eliminate the basis of criticism and the anticipated time frame for its accomplishment.

(3) Upon adoption, a copy of the criticized asset plan for each criticized asset or credit relationship equal to or exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the Director.

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

(5) The Board, or a designated committee, shall conduct a review and prepare a detailed written criticized asset report, on at least a monthly basis, to determine:

- (a) the status of each criticized asset or credit relationship equal to or exceeding one hundred thousand dollars (\$100,000);
- (b) management's adherence to the criticized asset plan adopted pursuant to this Article;
- (c) the status and effectiveness of the written criticized asset plan; and
- (d) the need to revise the criticized asset plan or take alternative action.

(6) A copy of each review and criticized asset report required by paragraph (5) shall be forwarded to the Director on a monthly basis.

(7) The Bank shall not extend credit, directly or indirectly, including renewals, guarantees to third parties that benefit directly or indirectly the borrower, 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 subsequently provided to management by the National Bank Examiners during any examination unless each of the following conditions is met:

- (a) the Board, or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that such additional extension of credit is in compliance with all applicable law and is a safe and sound banking practice;
- (b) a comparison to the written criticized asset plan adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised; and
- (c) that prior to extending such additional credit, a majority of the disinterested Board members approves the credit extension and documents, in writing, why such extension is necessary to promote the best interests of the Bank, is in compliance with all applicable law and is consistent with safe and sound banking practices.

(8) A copy of the Board's approval required by paragraph (7)(c) shall be maintained in the file of the affected borrower.

ARTICLE XI

OTHER REAL ESTATE OWNED

(1) Within thirty (30) days from the effective date of this Order, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written action plan for each parcel of Other Real Estate Owned ("OREO"), to ensure that these assets are accounted for and managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34. Further, upon transfer of an asset to OREO, the Board shall adopt, implement, and thereafter ensure Bank adherence to a

written action plan for the OREO, to ensure that the asset is accounted for and managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34. At a minimum, the plans shall:

- (a) detail the valuation analysis and accounting for each OREO property, including the appraisal and all supporting documentation;
- (b) contain an analysis of the OREO property, which compares the cost to carry against the financial benefits of near term sale;
- (c) detail the marketing strategy and targeted time frames for disposing each OREO property;
- (d) identify the Bank officer responsible for managing and authorizing transactions relating to each OREO property;
- (e) establish procedures to require periodic market valuations of each property, and the methodology to be used;
- (f) establish targeted write-downs at periodic intervals if marketing strategies are unsuccessful; and
- (g) provide for reports to the Board on the status of each OREO property and its disposition on at least a monthly basis.

(2) Upon adoption, the Board shall submit a copy of the plans to the Director, and shall provide to the Director a copy of the monthly status reports required in paragraph (1)(g).

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

ARTICLE XII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (“Allowance”) and shall establish a written program for the maintenance of an adequate Allowance. This review and program shall be designed to comply with *Financial Accounting Standards No. 5 and 114* (FAS 5 and FAS 114), be guided by *OCC Bulletin 2006-47*, “Guidance and Frequently Asked Questions on the ALLL”, dated December 13, 2006, and the comments on maintaining a proper Allowance found in the “*Allowance for Loan and Lease Losses*” booklet of the *Comptroller’s Handbook*.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

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

ARTICLE XIII

INSIDER, AFFILIATE AND OTHER TRANSACTIONS

(1) The Bank shall immediately cease reimbursing or making payments to Bank officers, directors or other employees for expenses incurred unless such expenses are:

- (a) supported by documentation demonstrating that the expense is reasonable and necessary to the business of the Bank, and
- (b) specifically approved by the Board, with documentation of such approval.

(2) The Bank shall immediately cease making any payments to, or on behalf of, First Integrity Bancorporation, Inc. without the prior written determination of no supervisory objection from the Director.

(3) The Bank shall immediately take all steps necessary to collect all rents due and payable from the Krutchen Law Firm (“KLF”). The Bank also shall immediately take all steps necessary to determine whether KLF paid a lower-than-market rate for any space subleased from the Bank. The Bank shall provide a copy of this analysis to the Director. In the event that the Bank or the Director determines that KLF paid a lower-than-market rate, the Bank will take all steps necessary to collect the difference between the rents paid by KLF and the market rate.

(4) The Board shall immediately take the necessary steps to ensure that all transactions with any of the Bank’s, or First Integrity Bancorporation, Inc.’s, directors, shareholders, executive officers (“Insiders”) or any “related interest” or “immediate family” member (as defined in 12 C.F.R. § 215.2) of the Insiders shall:

- (a) comply with the requirements of 12 U.S.C. §§ 375a and 375b and 12 C.F.R. Part 215;
- (b) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and
- (c) be supported by documentation in the books and records of the Bank which demonstrate that the transactions comply with the requirements of 12 U.S.C. §§ 375a and 375b and 12 C.F.R. Part 215.

(5) The Board shall take the necessary steps to ensure that any and all transactions with any of the Bank’s affiliates, as defined in 12 U.S.C. § 371c(b)(1) and 12 C.F.R. § 223.2, shall:

- (a) comply with the requirements of 12 U.S.C. §§ 371c and 371c-1 and 12 C.F.R. Part 223;

- (b) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and
- (c) be supported by documentation in the books and records of the Bank which demonstrate that the contracts or agreements comply with the requirements of 12 U.S.C. § 371c-1 and Subpart F of 12 C.F.R. Part 223.

ARTICLE XIV

LIQUIDITY

(1) The Board shall immediately take appropriate action to ensure that the Bank maintains adequate sources of liquidity to meet the Bank's needs. The Board shall also establish within ninety (90) days from the effective date of this Order, a liquidity contingency plan to withstand any anticipated or extraordinary demand against its funding base. Such plan must consider, at a minimum, the following:

- (a) selling assets;
- (b) obtaining lines of credit from correspondent banks;
- (c) recovering charged-off assets; and
- (d) injecting additional equity capital.

(2) The Board shall prepare a written review of liquidity on at least a monthly basis. Such reviews shall identify and consider all likely funding needs and the sources to meet those needs, and include:

- (a) a maturity schedule of certificates of deposit and brokered deposits;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability and volatility of present funding sources;

- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans; and
 - (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations.
- (3) Copies of the monthly liquidity reviews shall be forwarded to the Director.

ARTICLE XV

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that the Bank corrects each violation of law, rule or regulation cited in the ROE, any subsequent Report of Examination, or brought to their attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within thirty (30) days after the violation is cited or brought to the Board's attention, the Bank shall provide to the Director a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified time.

(2) Within thirty (30) days from the effective date of this Order, or within thirty (30) days of receipt of any subsequent Report of Examination, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific written procedures to prevent future violations as cited in the ROE or any subsequent Report of Examination and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems, training and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

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

ARTICLE XVI

PRODUCTS AND SERVICE – EXISTING OR NEW

(1) Prior to the Bank's involvement in any new product or service, or its significant expansion of any existing product or service, the Board shall prepare a written analysis of said product or service. The analysis shall, at a minimum, include the following:

- (a) an assessment of the risks and benefits of the product or service to the Bank;
- (b) an explanation of how the product or service is consistent with the Bank's strategic plan;
- (c) an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls and written policies and procedures to identify, measure, monitor, and control the risks associated with the product or service; and
- (d) an analysis of profitability, including growth projections and interest rate risk, and the impact on the Bank's capital plan.

(2) Prior to the Bank's involvement in the new product or service, or the significant expansion of any existing product or service, a copy of the analysis shall be submitted to the Director for prior written determination of no supervisory objection.

(3) The term "significant expansion" does not include the expansion of any existing product or service if: (i) that product or service is comprehensively discussed in the strategic and profit plans previously submitted by the Bank pursuant to this Order; and (ii) the Director has previously issued a written determination of no supervisory objection to those plans.

ARTICLE XVII

ENGAGEMENT OF PROFESSIONAL SERVICE PROVIDERS

(1) The Bank shall not renew or enter into new contracts or engagements with any individual, company, or entity (“Professional Service Provider”) to perform professional services (including, but not limited to, legal services, accounting services, and services related to loan work-outs and collections) for, or on behalf of, the Bank unless:

- (a) the Board reviews and approves a written analysis that includes:
 - (i) a cost/benefit analysis for using a Professional Service Provider;
 - (ii) a description of the Bank’s due diligence process for selecting the Professional Service Provider and the results of the due diligence review, including a description of why the Professional Service Provider was selected;
 - (iii) a determination that the contract or commitment is being conducted at arm’s length on terms and conditions fair and reasonable to the Bank, including the ability of the parties to perform under the contract or commitment;
 - (iv) a disclosure of any affiliation with any present or past Insider (as defined in Article XIII, paragraph (4)) or any “related interest” or “immediate family” member (as defined in 12 C.F.R. § 215.2) of such Insider; and
 - (v) a determination that the contract is in the best interests of the Bank.
- (b) the written analysis required by paragraph (1)(a) of this Article is included in the Board minutes along with details of the deliberations and approval;
- (c) the contract or engagement is in writing; and

(d) the Bank has received written no supervisory objection from the Director.

(2) The Board shall immediately forward any Board-approved, written contract or contract renewal, along with the written analysis and Board approval pursuant to paragraph (1)(b) of this Article, to the Director. Unless otherwise advised in writing by the Director, at a minimum, the contract must:

- (a) be made a part of the Bank's books and records, identify the Professional Service Provider, and specify all services to be provided;
- (b) define the rights, obligations, and responsibilities of all parties to the contract;
- (c) specify the beginning and ending dates of the contract, including any renewal options;
- (d) specify and itemize the price to be paid by the Bank for the services;
- (e) set standards for quality of services provided by the Professional Service Provider, as applicable, given the nature of the services to be provided;
- (f) provide the Bank appropriate remedies in the event of a default, failure of the Professional Service Provider to meet the quality standards, or failure of the Professional Service Provider to comply with any other material provision of the contract;
- (g) require the Professional Service Provider to provide the Bank with annual financial statements and audit reports if the viability of the Professional Service Provider is integral to the Bank's safe and sound operation;
- (h) require the Professional Service Provider to carry appropriate insurance, if applicable, given the nature of the contract;

- (i) require the Professional Service Provider to maintain reliable and accurate books, records, and management information systems as they relate to the services performed on behalf of the Bank; and
- (j) require the Professional Service Provider to grant the Bank, Bank auditors, and the Comptroller immediate access to the Professional Service Provider's books and records as they relate to services performed on behalf of the Bank; however, this requirement does not negate the right to assert legally recognized privileges where applicable.

(3) The Board shall immediately review all existing relationships for the performance of professional services, and within thirty (30) days of the Board determining that any contract or agreement is not in writing, or that any written contract is not in compliance with the additional requirements of paragraphs (1) and (2) of this Article, the Board shall:

- (a) negotiate the terms of such unwritten contract or agreement to reflect the requirements of this Article and reduce such contract or agreement to writing with a copy submitted to the Director;
- (b) renegotiate the terms of such written contract or agreement to ensure that it is in compliance with the requirements of this Article; and/or
- (c) take other steps acceptable to the Director to address the issues raised by the terms of the contract or agreement.

(4) The Bank shall not use the services of, or in any way compensate, any Professional Service Provider if the Board has determined that the relationship is not in the best interests of the Bank.

(5) The Bank must routinely monitor the performance of the Professional Service Provider to ensure that committed goods and services are received, and that the Professional Service Provider is in compliance with the written contract.

(6) The Board shall ensure that the Bank develops and thereafter maintains processes, personnel, and control systems sufficient to ensure implementation of and adherence to this Article.

ARTICLE XVIII

PENDING LITIGATION

(1) Within thirty (30) days from the effective date of this Order and monthly thereafter, the Board shall submit to the Director a written report on the status of each case of pending litigation. The report shall include at a minimum:

- (a) a description of the case, attorney assigned, amount involved, and listing of all plaintiffs and defendants with any Insiders (as defined in Article XIII, paragraph (4)) identified;
- (b) the status of the case, current developments, and any scheduled or pending hearings, meetings, etc.;
- (c) the projected economic impact on the Bank, including best case, worse case and most likely outcome; and
- (d) a description, by billing party, of all costs associated with the litigation to date, billed but unpaid litigation expenses, and projected future litigation expenses through resolution.

ARTICLE XIX

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Bank contends that compliance with any provision of this Order would cause undue hardship to the Bank, or requires an extension of any timeframe within this Order, the Board

shall submit a written request to the Director asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with a provision, that require the Director to exempt the Bank from a provision, or that require an extension of a timeframe within this Order.

(2) All such requests shall be accompanied by relevant supporting documentation, and to the extent requested by the Director, a sworn affidavit or affidavits setting forth any other facts upon which the Bank relies.

(3) The Director's decision concerning a request is final and not subject to further review.

ARTICLE XX

CLOSING

(1) Although the Bank is required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Director, the Board has the ultimate responsibility for proper and sound management of the Bank and the completeness and accuracy of the Bank's books and records.

(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 Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(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 Bank or the Board is required to ensure implementation of, 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.

IN WITNESS WHEREOF, my hand given at Washington, D.C. this 31st day of January 2008.

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency

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

In the Matter of:)
First Integrity Bank, N.A.)
Staples, Minnesota)

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

The Comptroller of the Currency of the United States of America (“Comptroller”) may initiate cease and desist proceedings against First Integrity Bank, N.A., Staples, Minnesota (“Bank”) pursuant to 12 U.S.C. § 1818(b)(1).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated January 31, 2008 (“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 Comptroller 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).

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 OCC 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 OCC has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no OCC officer or employee 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 and Consent 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.

signed

Ronald G. Schneck
Director for Special Supervision
Office of the Comptroller of the Currency

January 31, 2008

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.

signed

David Duhn

1/31/08

Date

K. Patrick Kruchten

Date

signed

Peter Kruchten

1/31/08

Date

signed

Duane Lund

1/31/08

Date

signed

Edwin Perry

1/31/08

Date