

AGREEMENT BY AND BETWEEN
FIRST NATIONAL BANK, CHISHOLM, MINNESOTA
&
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY

First National Bank, Chisholm, Minnesota (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, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination for the examination that commenced on March 31, 2008 (ROE).

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:

Assistant Deputy Comptroller
Minneapolis North Field Office
222 South 9th St. Suite 800
Minneapolis, MN 55402

Article II

INDEPENDENT AUDIT OF EXPENSES

(1) Within sixty (60) days, the Board shall engage an independent outside auditor to perform an in-depth review of the Bank’s Other Real Estate Owned (OREO) program and all other non-interest expense accounts sufficient to, at a minimum:

- (a) determine whether expenses and capital expenditures related to OREO and all other non-interest expenses incurred in 2007 and year-to-date 2008 were incurred for legitimate bank purposes and supported by adequate documentation;
- (b) detect any irregularities in the management of these accounts; and
- (c) evaluate the appropriateness of internal controls over OREO and non-interest expense accounts, including policies pertaining to:
 - (i) communication between Bank management and the Board;
 - (ii) delegations of authority;
 - (iii) recordkeeping;
 - (iv) management of potential conflicts of interest;

(2) Upon completion of the review required by this Article, the auditor shall provide a detailed written report to the Board conveying his or her findings along with recommendations. A copy of this report shall concurrently be provided to the Assistant Deputy Comptroller.

(3) Prior to the engagement of any auditor or entering into any contract with an auditor pursuant to this Article, the Board shall submit the name and qualifications of the proposed auditor and the proposed terms of engagement to the Assistant Deputy Comptroller for a prior written determination of no supervisory objection.

(4) The requirement to submit information and the provision for a 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 III

IMPROVEMENT OF INTERNAL CONTROLS OVER EXPENSES

(1) Within sixty (60) days of receiving the independent auditor's report required by Article II, the Board shall prepare, implement, and thereafter ensure adherence to a written program designed to ensure that all non-interest expenses and capital expenditures related to OREO, as well as all other non-interest expenses 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 capital expenditures 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 capital expenditures and non-interest expense items 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; and
- (c) a requirement that management shall provide the Board with monthly reports containing sufficient information to reasonably determine whether the Bank's capital expenditures and non-interest expenses for the period which were incurred by, or for the benefit of, officers or directors of the Bank are consistent with the requirement set forth in Paragraph (1)(a) of this Article.

(2) In drafting the written program required by this Article, the Board shall pay due consideration to any identified deficiencies or weaknesses, as well as any recommendations included in the audit report required by Article II.

(3) 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.

(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 IV

OTHER REAL ESTATE OWNED - POLICY

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written policy to ensure that OREO is managed in accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, Subpart E. At a minimum, this policy shall address:

- (a) responsibility and authority for OREO properties;
- (b) proper accounting procedures for OREO properties from transfer to the Bank and until and upon sale to a third party;
- (c) procedures to require timely appraisals pursuant to 12 C.F.R. § 34.85 and 12 C.F.R. Part 34, Subpart C;
- (d) diligent sales efforts;
- (e) appropriate reporting systems; and
- (f) restrictions pertaining to Bank expenditures on OREO properties to ensure that the Bank does not engage in unauthorized speculative activities or otherwise exceed its authority under 12 U.S.C. § 29 and 12 C.F.R. Part 34, Subpart E.

(2) Upon adoption, the Bank shall forward a copy of the policy developed pursuant to this Article to the Assistant Deputy Comptroller for review.

Article V

OTHER REAL ESTATE OWNED - ACTION PLANS

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to action plans for each parcel of OREO to ensure that these assets are managed in

accordance with 12 U.S.C. § 29 and 12 C.F.R. Part 34, Subpart E. At a minimum, the plans shall:

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

Upon adoption, the Bank shall forward a copy of the plans developed pursuant to this Article to the Assistant Deputy Comptroller.

Article VI

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the Report, 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 sixty (60) 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) 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; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

Article VII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, 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/her 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) Unless otherwise noted, 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.

(2) 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.

(3) 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.

(4) 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 OCC or the United States. 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(b)(1), 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. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, 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. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations 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/
Thomas J. Tott
Assistant Deputy Comptroller
Minneapolis North Field Office

July 9, 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.

/s/
Louis Cianni

07/09/08
Date

/s/
Jerome Culliton

07/10/08
Date

/s/
Charles Wangenstein

07/09/08
Date

/s/
John Wangenstein

07/09/08
Date

/s/
Mark Wangenstein

07/10/08
Date