

AGREEMENT BY AND BETWEEN
The First National Bank of Northfield
Northfield, MN
and
The Comptroller of the Currency

The First National Bank of Northfield, Northfield, MN (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller”) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe and unsound banking practices relating to asset quality and credit risk management at the Bank.

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:

Sheila A. Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office
222 South Ninth Street, Suite 800
Minneapolis, MN 55402

ARTICLE II

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, or in any list provided to management by the National Bank Examiners, or by any internal or external loan review.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or in any list provided to management by the National Bank Examiners, or by any internal or external loan review as "doubtful," "substandard," or "special mention." Each workout plan shall include, at a minimum:

- (a) a determination of whether the Bank should exit the relationship;
- (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; and
- (e) the proposed actions to eliminate the basis of criticism and the dates by which the actions will be taken.

(3) Upon adoption, a copy of the workout plans for all criticized assets equal to or exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, of each workout plan adopted pursuant to this Article for all criticized assets equal to or exceeding one hundred thousand dollars (\$100,000) to determine:

- (a) the status of each criticized asset or criticized portion thereof;
- (b) management's adherence to the workout plan adopted pursuant to this Article;
- (c) the status and effectiveness of the workout plan; and
- (d) the need to revise the workout plan 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 list provided to management by the National Bank Examiners, or by any internal or external loan review and whose aggregate loans or other extensions exceed one hundred thousand dollars (\$100,000) only if 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 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 workout plan 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 or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE III

LOAN STAFFING

(1) Within sixty (60) days, the Board should employ, appoint, or designate a Senior Credit Officer who shall be vested with sufficient executive authority to develop and implement credit risk management policies, procedures, and systems.

(2) If the Senior Credit Officer position mentioned in paragraph (1) of this Article becomes vacant in the future, the Board shall within 90 (ninety) days of such vacancy employ, appoint, or designate a capable person to the vacant position who shall be vested with the authority and responsibilities outlines in paragraph (1) of this Article.

(3) If the Board is unable to employ any qualified candidates within the timeframes set forth above, the Board shall document its efforts to locate such candidates. Thereafter, the

Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

ARTICLE IV

LENDING POLICY

(1) Within one hundred twenty (120) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to “Loan Portfolio Management” booklet of the Comptroller’s Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) requirements designating when loan extensions, modifications, renewals, or deferrals are appropriate and who has approval authority;
- (b) a system or process to document, track, and report policy or underwriting exceptions;
- (c) requirements detailing the quality of financial information (e.g. borrower prepared, compiled, or audited) required from borrowers and when lenders must complete financial spreads;
- (d) a designation of the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;
- (e) a designation of the loan types and size ranges for when loan covenants or loan agreements must be used, including when the loan covenants should include financial performance measures;

- (f) requirements for determining when global cash flow analysis on borrowers and related entities or guarantor analysis is necessary. The guarantor analysis should include an evaluation of tangible net worth;
- (g) requirements for using formal “borrowing base” information that includes an acceptable accounts receivable aging, inventory validation, or inventory audits when needed;
- (h) requirements for monitoring or tracking actual lot sales and prices on land development loans;
- (i) enhanced risk management practices for loan concentrations;
- (j) requirements for completing farm inspections;
- (k) requirements for obtaining Rental Agreements/Rent Rolls for multi-tenant commercial properties and other types of income property;
- (l) underwriting guidelines for unsecured lending; and,
- (m) a definition of the bank’s lending/trade area.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

ARTICLE V

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) and (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 (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the

information in (3)(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 VI

INTERNAL CREDIT RISK RATING SYSTEM

(1) Within one hundred and twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to an on-going internal loan and lease risk rating system that accurately and timely identifies and categorizes problem loans and leases. The system shall use a loan and lease grading process consistent with the guidelines set forth in the Rating Credit Risk booklet, A-RCR, of the Comptroller's Handbook. The system shall provide for a monthly written report to the Board detailing loan and lease risk ratings, and total for each category in a dollar and percent of capital format.

(2) The Board shall submit a copy of the bank's internal loan and lease risk rating system to the Assistant Deputy Comptroller for her prior determination of no objection. Provided that the Board has submitted the risk rating system to the Assistant Deputy Comptroller within one hundred and twenty (120) days and is not advised in writing of any objection to the rating system within thirty (30) days of such submission, the Board and the Bank shall be deemed to be in compliance with the requirements of this paragraph.

ARTICLE VII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

/s/

 Sheila A. Van Ornum
 Assistant Deputy Comptroller
 Minneapolis Field Office

12/7/09

 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/

 Carol L. Cowles

12/1/09

 Date

/s/

 Richard J. Falck III

12/1/09

 Date

/s/

 Brett D. Reese

12/4/09

 Date

/s/

 Michael C. Remes

12/1/09

 Date

/s/

 Jennifer R. Sawyer

12/4/09

 Date

/s/

 David E. Shumway

12/4/09

 Date

/s/

 Timothy J. Viere

12/4/09

 Date
