

AGREEMENT BY AND BETWEEN
Lakewood Bank, National Association
Baxter, Minnesota
and
The Comptroller of the Currency

Lakewood Bank, National Association, Baxter, 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 has found unsafe or unsound practices relating to credit administration 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 Formal Agreement (“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) Unless otherwise informed in writing by the Comptroller, through his authorized representative, all programs, reviews, or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Nancy M. Sundstrom
Assistant Deputy Comptroller
Minneapolis Field Office
222 South Ninth Street, Suite 800
Minneapolis, Minnesota 55402

ARTICLE II

PROBLEM LOAN WORKOUTS

(1) The Bank shall take continuing action to protect its interest in those assets criticized¹ in the Report of Examination dated as of September 30, 2009 (“ROE”), and shall take immediate and continuing action to protect its interest in any assets criticized in any subsequent Report of Examination, or in any list provided to management by the National Bank Examiners, or by internal or external loan review.

(2) Within sixty (60) days, the Board shall implement, and thereafter ensure Bank adherence to individual workout plans designed to eliminate the basis of criticism of assets criticized in the ROE, and within sixty (60) days of identification in any subsequent Report of Examination, or in any list

¹ The term “criticized” as used in this Article is meant to refer to assets rated the equivalent of “doubtful,” “substandard,” or “special mention” as defined in the “Rating Credit Risk” booklet of the Comptroller’s Handbook.

provided to management by the National Bank Examiners, or by internal or external loan review as "doubtful," "substandard," or "special mention", the Board shall adopt, implement and hereafter ensure adherence to individualized workout plans. Each workout plan 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 actions to eliminate the basis of criticism and the timeframe for its accomplishment.

(3) A copy of the workout plan adopted pursuant to this Article shall be maintained in the records of the Bank and referenced in the file of the affected borrower.

(4) Upon adoption, a copy of the workout plans for all criticized assets equal to or exceeding two hundred fifty thousand dollars (\$250,000) shall be forwarded to the Assistant Deputy Comptroller.

(5) 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 two hundred fifty thousand dollars (\$250,000) 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.

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

(7) 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, or 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 two hundred fifty thousand dollars (\$250,000) 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 its 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 by the credit extension.

(8) Copies of the approvals and comparisons of the Board or designated committee obtained pursuant to Paragraph (7) of this Article shall be maintained in the records of the Bank and referenced in the file of the affected borrower.

ARTICLE III

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 ROE (that are still lacking such information), 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.

(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.

(3) If the Board and management are unable to obtain the credit information or collateral documentation required by paragraphs (1) and (2) of this article within sixty (60) days, the Board and management shall document their efforts to obtain such information or documentation, and maintain documentation of their efforts in the loan file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit equal to or exceeding five hundred thousand dollars (\$500,000) 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 a global analysis of the borrower's current financial position, cash flow, and repayment ability;
 - (i) Failure to obtain the information in (4)(d) shall require a majority of the full Board or its delegated committee to certify in writing the specific reasons why failure to obtain and analyze the information in (4)(d) would be not be in 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 IV

APPRAISALS OF REAL PROPERTY

(1) Within thirty (30) days, the Board shall engage the services of an independent, professionally certified, or licensed appraiser(s) to provide a written or updated appraisal, in accordance with 12 C.F.R. Part 34, for each parcel of real property that represents primary collateral that exceeds two hundred fifty thousand dollars (\$250,000) where:

- (a) the loan was criticized in the ROE, any list provided to management by the National Bank Examiners, or by the Bank's internal or external loan review and the most recent independent appraisal is more than twelve (12) months old; or

- (b) accrued interest or loan fees have been or will be added to the outstanding principal balance, and the most recent independent appraisal is more than twelve (12) months old.

(2) All such appraisals shall be completed within ninety (90) days, and certification by the Board attesting to the completion of the appraisals shall be forwarded to the Assistant Deputy Comptroller within one hundred twenty (120) days.

(3) Within 60 days, the Board shall ensure adherence to the Bank's written real estate valuation program designed to ensure that the Bank assesses and maintains current information on the adequacy of collateral securing its real estate loans. The program shall, at a minimum;

- (a) provide for the independence of the persons ordering, performing, and reviewing appraisals;
- (b) ensure that appraisals contain sufficient information to support the appraised value;
- (c) maintain criteria for content and appropriate use of real estate evaluations;
- (d) implement internal controls that promote compliance with the appraisal regulation, the Interagency Appraisal and Evaluation Guidelines, and industry appraisal standards; and
- (e) establish criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by regulatory requirements.

(4) A copy of the Bank's program shall be forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure adherence to the program required in this Article.

ARTICLE V

CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days from the date of this Agreement, the Board shall revise and thereafter ensure Bank adherence to its written asset diversification program consistent with safe and sound banking practices and the risk diversification guidelines set forth in the Loan Portfolio Management and Concentration of Credits booklets of the Comptroller's Handbook. The revised program shall include, but not necessarily be limited to, the following:

- (a) a review of the balance sheet, and off balance sheet obligations, to identify any related concentrations of credit;
- (b) a written analysis of any concentrations of credit identified above in order to identify and assess the inherent credit, liquidity, and interest rate risk;
- (c) policies and procedures to control and monitor concentrations of credit, including limits on concentrations and policies requiring notification to the Board when concentrations of credit exceed policy limits; and
- (d) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the "Concentration of Credits" booklet of the Comptroller's Handbook.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (b) of this Article and if that analysis demonstrates that the concentration subjects the Bank to undue risk, the Board shall take appropriate steps to mitigate such risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller within thirty (30) days following the review.

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

ARTICLE VI

NONACCRUAL LOANS AND TROUBLED DEBT RESTRUCTURES

(1) Within ninety (90) days from the date of this Agreement, the Board shall revise and thereafter implement the Bank's written policies and procedures governing the supervision and control of nonaccrual loans and troubled debt restructures. Such revised policies and procedures shall:

- (a) be consistent with the accounting requirements 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 and troubled debt restructure criteria.

(2) Within ninety (90) days of this Agreement, the Board shall revise and thereafter implement the Bank's written policy governing the identification of and accounting treatment for nonaccrual loans and loans considered to be troubled debt restructures. The revised policy shall address paragraph one (1) of this Article as well as the comments in the ROE and shall be consistent with the accounting requirements contained in the Call Report Instructions.

(3) Upon adoption, a copy of the revised written policies and procedures shall be forwarded to the Assistant Deputy Comptroller and the Board shall thereafter ensure Bank adherence to all policies and procedures developed pursuant to this Article.

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

ARTICLE VIII

CLOSING

(1) Although the Board has agreed to submit certain programs, reviews, and plans 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 that certain actions are taken, and to ensure adherence to certain programs, policies, and procedures, 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 Bank management to report on a timely basis on the results of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) analyze the underlying reasons for any non-compliance with such actions in a timely and appropriate manner; and
- (d) initiate corrective action deemed appropriate for any non-compliance with such actions in a timely manner.

(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/

Nancy M. Sundstrom
Assistant Deputy Comptroller
Minneapolis Field Office

3/15/2010

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/

Sean Burian

3-15-2010

Date

/s/

Gary Knutson

3-15-2010

Date

/s/

Susan Mortenson

3-15-2010

Date

/s/

Joel Staehling

3/15/2010

Date

/s/

Craig Weiss

3/15/2010

Date