

AGREEMENT BY AND BETWEEN
First National Bank in Mahnomen
Mahnomen, Minnesota
and
The Comptroller of the Currency

First National Bank in Mahnomen, Mahnomen, 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 banking 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 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, 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:

Sheila Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office
222 South 9th Street, Suite 800
Minneapolis, Minnesota 55402

ARTICLE II

SENIOR LOAN OFFICER

(1) Within ninety (90) days, the Board shall ensure that the Bank has a competent senior loan officer who shall be vested with the executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of functions within the scope of the position’s responsibility.

(2) If the senior loan officer position is or at any time becomes vacant, the Board shall, within thirty (30) days of such vacancy, hire or appoint a capable person to the vacant position who shall be vested with the executive authority to ensure the Bank’s compliance with this Order and the safe and sound operation of functions within the scope of the position’s responsibility.

(3) If the Board is unable to hire or appoint an acceptable person to the senior loan officer position within the timeframes required by this Article, despite its best efforts, the Board

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

ARTICLE III

CREDIT UNDERWRITING AND ADMINISTRATION

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's commercial credit underwriting and administration process. The program shall include, at a minimum:

- (a) guidelines for prudent terms, principle amortization, and maturities consistent with the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (b) guidelines to ensure the avoidance of conflicts of interest and the appearance of conflicts of interest applicable to the Bank's and the Bank's holding company's directors, principal shareholders, executive officers, affiliates, and employees (Insiders) and related interests of Insiders;
- (c) standards for the maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (d) a provision that current and satisfactory credit information will be obtained on each borrower before the extension of any credit;
- (e) a provision that the Bank will use its reasonable best efforts to obtain current and satisfactory credit information in connection with the annual review of any existing loan;

- (f) guidelines for the proper placement of loans on non-accrual status in accordance with the Instructions for Consolidated Reports of Condition and Income (Call Report Instructions) and Rating Credit Risk Booklet, A-RCR, of the Comptroller's Handbook;
- (g) guidelines for completion of appraisals and real estate evaluations consistent with 12 CFR 34.43(b);
- (h) guidelines to limit advances to fund interest payments, including capitalization of interest and use of interest reserves; and
- (i) procedures for approving, tracking, and reporting exceptions to the loan policy to senior management and the Board of Directors.

(2) Upon adoption, the program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(3) Upon receipt of a determination of no supervisory objection, the Board shall implement the program and thereafter ensure Bank adherence to the program.

ARTICLE IV

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated as of September 30, 2010 ("ROE"), in any subsequent ROE, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(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 in excess of one hundred fifty thousand dollars (\$150,000) criticized in the ROE, in any

subsequent ROE, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." 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 a global cash flow analysis of the borrower's repayment ability; and
- (d) actions designed to eliminate the basis of criticism of and protect the bank's interest in the asset, including timeframes for implementing and evaluating the effectiveness of those actions.

(3) Upon adoption, a copy of the workout plans for all criticized assets equal to or exceeding one hundred fifty thousand dollars (\$150,000) 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, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds one hundred fifty thousand dollars (\$150,000);
- (b) management's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the plans; and
- (d) the need to revise the plans or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis.

(6) The Bank may extend credit, directly or indirectly, including renewals or extensions, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as “doubtful,” “substandard,” or “special mention” and whose aggregate loans or other extensions exceed one hundred fifty thousand dollars (\$150,000) 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 plans 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 V

LOAN RISK RATING SYSTEM

(1) Within (60) days, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of commercial credit relationships in excess of \$150,000 (covered relationship), as assigned by responsible loan officers and by internal loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the Rating Credit Risk Booklet, A-RCR, of the Comptroller's Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the assessment of credit risk of any covered relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) if the primary source of repayment is cash flow from the borrower's operations, the strength of the borrower's cash flow is determined through analysis of the borrower's historical financial statements, past performance, and future prospects in light of conditions that have occurred;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;

- (d) collateral values should reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

ARTICLE VI

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/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) 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 Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office

3/28/2011

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/

Peter Haddeland

3/28/2011

Date

/s/

Elroy Hanson

3/28/2011

Date

/s/

Harley Hanson

3/28/2011

Date

/s/

Ken Pierce

3/28/2011

Date

/s/

Mark Trnka

3/28/2011

Date
