

AGREEMENT BY AND BETWEEN
The National Bank of Harvey
Harvey, North Dakota
and
The Comptroller of the Currency

The National Bank of Harvey, Harvey, North Dakota (“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 Ninth Street, Suite 800
Minneapolis, Minnesota 55402

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall immediately achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 Capital at least equal to nine percent (9%) of adjusted total assets,
and
- (b) Total Risk Based Capital of at least eleven and a half percent (11.5%) of risk-weighted assets.

(2) The requirement in this Agreement 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).

(3) The Board shall ensure Bank adherence to its previously established three year capital program. The program shall include:

- (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) the primary source(s) from which the bank will strengthen its capital structure to meet the Bank's needs;
- (d) contingency plans that identify alternative methods should the primary source(s) under (c) above not be available; and
- (e) a dividend policy that permits the declaration of a dividend only;
 - (i) when the Bank is in compliance with its approved capital program;
 - (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 Assistant Deputy Comptroller.

ARTICLE III

ANNUAL CREDIT REVIEWS AND CREDIT PRESENTATIONS

(1) Within sixty (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an annual credit review program and for credit presentations for new loans for borrowers with aggregate commercial or agricultural loan balances, including purchased participation loans, over one hundred fifty thousand dollars (\$150,000). The annual credit review or credit presentation shall be conducted by the responsible lending officer and shall document, at a minimum:

- (a) the specific reason or purpose of the loan;
- (b) the expected source of repayment;
- (c) past repayment performance;
- (d) terms and covenants related to each loan;
- (e) analysis of the borrower's cash flow and current financial position, and where repayment is dependent in whole or in part on the guarantor, an analysis of the guarantor's global cash flow and current financial statements;
- (f) an analysis of collateral coverage and documentation of the Bank's lien position;
- (g) the assigned credit risk rating, including accrual designation and the amount of any impairment reserve, if necessary; and
- (h) Part (e) above may be waived if all of the following conditions are met:
Borrower resides and collateral is located within the bank's market area as defined by Community Reinvestment Act (CRA) census tracts; aggregate credit is below two hundred fifty thousand dollars (\$250,000) and consists solely of performing term notes for which established payment history shows that all payments have been made according to note terms; and, payment terms have not been modified.

(2) Upon adoption, a written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

ARTICLE IV

CRITICIZED ASSETS/WORKOUT PLANS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated May 31, 2010 (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.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, 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." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised 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;
- (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; and
- (e) intent to either rehabilitate or exit the credit.

(3) Upon adoption, a copy of the program 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, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds one hundred thousand dollars (\$100,000);
- (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 (in a format similar to Appendix A, attached hereto).

(6) The Bank may extend credit, directly or indirectly, including renewals or extensions (including loan modifications and payment 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 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 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 EXTENSIONS, DEFERRALS, RENEWALS

AND MODIFICATIONS

(1) Within sixty (60) days, the Board shall review and revise the Bank's written loan policy with guidelines and procedures for renewing, extending, deferring and rewriting loans.

Such guidelines and procedures shall:

- (a) Require prior documented approval by any two members of the Loan Committee holding the title of Vice President or President of the bank for loan extensions, deferrals, renewals and modifications on credits aggregating between twenty five thousand dollars (\$25,000) and one hundred thousand dollars (\$100,000); credits aggregating over one hundred thousand dollars (\$100,000) require documented approval by the full Loan Committee prior to extension, deferral, modification or renewal;
- (b) require narrative comments describing what caused the borrowers' inability to repay in accordance with note terms; and

- (c) require financial information and analysis to verify the customers' ability to meet revised note terms.

ARTICLE VI

INDEPENDENT LOAN REVIEW

(1) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review system to review the Bank's loan and lease portfolios designed to timely identify and categorize 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 the Rating Credit Risk booklet, A-RCR, of the Comptroller's Handbook. The minimum content of independent loan reviews shall include:

- (a) a summary for agreement or disagreement with the assigned risk rating by Bank management;
- (b) credit and collateral documentation exceptions;
- (c) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies;
- (d) a summary of financial trends to support the risk rating assigned;
- (e) amount of and support for the amount of loan impairment;
- (f) evaluation and support for accrual or nonaccrual status; and
- (g) identification of payment extensions, deferrals, and renewals along with a written conclusion regarding appropriateness.

(2) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(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 VII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, as 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 that a written updated real estate evaluation, in accordance with 12 C.F.R. Part 34, is completed for each parcel of real property where a violation was noted in the ROE.

(3) If the Board is unable to obtain the credit information or real estate evaluation required by paragraphs (1) and (2) of this Article within (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 exceeding twenty five thousand dollars (\$25,000) 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, in writing, 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 its delegated committee to certify in writing the specific reasons why the Bank did not obtain and analyze the information in (4)(d);
 - (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 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) ensure that the Bank has adequate and appropriate personnel, and that personnel receive sufficient training, to ensure compliance with the terms of this Agreement;
- (c) 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;
- (d) analyze the underlying reasons for any non-compliance with such actions in a timely and appropriate manner; and
- (e) 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/

10/11/2011

Sheila Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office

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/

9/28/11

Charles Bauer

Date

/s/

9/28/11

Gary Bergstrom

Date

/s/

9/28/11

Kent Olson

Date

/s/

9/28/11

Terry Weckerly

Date

/s/

9/28/11

Norman Weckerly

Date

Date

Date