

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
Americana National Bank) AA-EC-2003-10
Albert Lea, Minnesota)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (the “Comptroller”), through his National Bank Examiner, has examined Americana National Bank, Albert Lea, Minnesota (the “Bank”), and his findings are contained in the Report of Examination for the examination that commenced on July 8, 2002 (the “ROE”).

The Bank, by and through its duly elected and acting Board of Directors (the “Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated March 31, 2003, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Bank has consented to the issuance of this Consent Order (the “Order”) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

AFFILIATE AND OTHER TRANSACTIONS

(1) The Bank shall immediately, and until further notice by the Office of the Comptroller of the Currency (the “OCC”), cease and desist any and all payments to Chief Executive Officer Jon Lindeman (“CEO Lindeman”), and all expenses incurred by CEO Lindeman, except: (i) payments for salary approved in advance by the Board; and (ii) reimbursement or amounts incurred for reasonable business and travel expenses specifically

approved by the Board with a documented determination that each business or travel expense is reasonable and necessary to the business of the Bank, to include an evaluation of the cost-effectiveness of the selected mode of transportation and a determination that the expense complies with all Bank policies.

(2) The Board shall take the necessary steps to ensure that any and all transactions with any of its affiliates, as defined in 12 U.S.C. § 371c, shall: (i) comply with the requirements of 12 U.S.C. § 371c and 12 U.S.C. § 371c-1; (ii) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and (iii) be supported by documentation in the books and records of the Bank which demonstrate that the contracts or agreements comply with the requirements of 12 U.S.C. § 371c-1.

(3) The Board shall take the necessary steps to ensure that any and all transactions with any of the Bank's or the Bank's holding company's directors, shareholders, executive officers (the "Insiders") or any related interest or immediate family member (as defined in 12 C.F.R. § 215.2) of the Insiders (collectively referred to as "Related Parties") shall: (i) comply with the requirements of 12 C.F.R. Part 215; (ii) be incurred pursuant to written agreements or contracts that are documented in the books and records of the Bank; and (iii) be supported by documentation in the books and records of the Bank which demonstrate that the transactions comply with the requirements of 12 C.F.R. Part 215.

(4) Within sixty (60) days, the Bank shall review all existing contracts and agreements with all of its affiliates and Related Parties, written or otherwise, to determine whether each contract or agreement complies with the requirements of 12 U.S.C. § 371c-1 and 12 C.F.R. Part 215. The Bank shall document its conclusions from each review and shall

immediately thereafter terminate or amend all contracts or agreements with affiliates or Related Parties that are not in compliance with the law.

(5) Within sixty (60) days, the Bank shall review all affiliate party and Related Party transactions occurring since January 1, 1998 to determine whether such transactions have been conducted in compliance with the requirements of 12 U.S.C. § 371c-1 and 12 C.F.R. Part 215.

(6) The Bank shall, within ten (10) days following completion of the reviews required pursuant to this Article, request appropriate reimbursement for:

- (a) excess fees paid to an affiliate or Related Party; and
- (b) payments that the Bank did not receive but was contractually entitled to receive, if any.

(7) The foregoing paragraphs shall be construed to, among other things, specifically require that the Board adopt, implement, and thereafter ensure that any and all previously made and existing loans and loan participations to affiliates and Related Parties are handled in conformity with the Bank's fiduciary responsibilities, to include at a minimum: (i) the application to the loan or loan participation of any and all payments made for the purchase of collateral; (ii) the protection of collateral; (iii) reasonable efforts to collect past due payments; and (iv) full disclosure of material events to participants.

ARTICLE II

EXECUTIVE OFFICER COMPENSATION AND BENEFITS

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive compensation and benefits policy for executive officers. The policy shall require that the Board determine in writing that the payment of the compensation and benefits to each executive officer is in the best interests of the Bank after due

consideration of the factors described in 12 C.F.R. Part 30, Appendix A, Section III (“Prohibition On Compensation That Constitutes An Unsafe and Unsound Practice”) (2002).

(2) A copy of this compensation and benefits policy shall be forwarded to Assistant Deputy Comptroller, Sheila Van Ornum (hereafter the “ADC”) for her prior supervisory non-objection.

(3) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE III

CONFLICTS OF INTEREST

(1) Within forty-five (45) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy. The policy, in addition to defining a conflict of interest, shall address at a minimum:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
- (b) involvement in the loan approval process by Insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) involvement in the loan management process by Insiders who may benefit directly or indirectly from the manner the loan is managed;
- (d) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of related interests as defined in 12 C.F.R. § 215.2;
- (e) compliance with the requirements of 12 U.S.C. §§ 371c and 371c-1;

- (f) disclosure of any Insider's interest in the business of a borrower, an applicant, or other customer of the Bank; and
- (g) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank.

(2) A copy of this conflict of interest policy shall be forwarded to the ADC for her prior supervisory non-objection.

(3) Within sixty (60) days, the Board shall conduct a review of the Bank's existing relationships with all Related Parties to ensure that any nonconforming relationships are brought into conformity with the conflict of interest policy. Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and all Related Parties and affiliates to ensure ongoing compliance with the conflict of interest policy. Documentation supporting these reviews shall be in writing and preserved in the Bank.

(4) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

ARTICLE IV

BANK SECRECY ACT

(1) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program of policies and procedures to ensure compliance with the Bank Secrecy Act, as amended (31 U.S.C. §§ 5311 - 5330), the regulations promulgated thereunder at 31 C.F.R. Part 103, as amended, and 12 C.F.R. Part 21, Subparts B and C

(collectively referred to as the “Bank Secrecy Act”). At a minimum, this program shall establish:

- (a) a system of internal controls and independent testing and auditing to ensure ongoing compliance with the Bank Secrecy Act;
- (b) due diligence procedures and account opening documentation requirements for the opening of new accounts and enhanced due diligence for the opening of high risk accounts;
- (c) operating procedures for monitoring accounts and enhanced monitoring of high risk accounts;
- (d) adequate controls and procedures to ensure that all suspicious and large currency transactions are identified and reported. Procedures should be comprehensive as to all points of cash entry and exit;
- (e) procedures to ensure that Suspicious Activity Reports (“SARs”) are sufficiently detailed and accurate and reported to law enforcement in a timely fashion;
- (f) procedures to ensure that records are maintained on monetary instrument transactions and funds transfers, as required by the Bank Secrecy Act;
- (g) comprehensive procedures to identify and report to appropriate management personnel:
 - (i) frequent or large volume cash deposits or wire transfers or book entry transfers to or from offshore or domestic entities or individuals;

- (ii) wire transfers or book entry transfers that are deposited into several accounts;
 - (iii) receipt and disbursement of wire transfers or book entry transfers without an apparent business reason;
 - (iv) receipt and disbursement of wire transfers or book entry transfers when they are inconsistent with the customer's business;
 - (v) receipt and disbursement of currency or monetary instruments when they are inconsistent with the customer's business; and
 - (vi) bank accounts opened in the name of a casa de cambio (money exchange house) or any "financial institution" as defined in 31 C.F.R. § 103.11(n) (bank, broker/dealer, currency dealer or exchanger, issuer or seller or redeemer of traveler's checks or money orders, transmitter of funds, telegraph company, casino, etc.);
- (h) a comprehensive training program for all appropriate operational and supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act and the rules and regulations of the Office of Foreign Assets Control ("OFAC"), including the consequences of non-compliance for responsible personnel and the Bank, currency reporting and monetary instrument and funds transfer record keeping requirements, and the reporting requirements associated with SARs, pursuant to 12 C.F.R. Part 21, Subpart B;

- (i) an officer who will be responsible for filing Currency Transaction Reports (“CTRs”), Reports of International Transportation of Currency or Monetary Instruments (“CMIRs”), and Reports of Foreign Bank and Financial Accounts (“FBARs”);
- (j) comprehensive guidelines and procedures to identify and report both the shipment and receipt of currency or monetary instruments via common couriers, to include detailed procedures that will cover and address improperly labeled courier pouches containing monetary instruments, as well as related procedures for reporting and filing SARs for such pouches;
- (k) comprehensive guidelines, procedures, and systems for compliance with the rules and regulations of OFAC; and
- (l) an independent testing program to ensure compliance with the Bank’s policies and procedures and with the requirements of the Bank Secrecy Act and the rules and regulations of OFAC.

(2) Upon completion, a copy of this program shall be forwarded to the ADC.

(3) Within thirty (30) days, the Board shall appoint a capable officer of the Bank who shall be vested with sufficient authority to monitor and ensure the Bank’s compliance with the Bank Secrecy Act and the rules and regulations of OFAC and be responsible for the complete and timely filing of all reports required under the Bank Secrecy Act, including, but not limited to, CTRs and SARs. The officer shall independently report directly to the Board.

(4) The officer appointed pursuant to this Article shall be subject to the prior supervisory non-objection of the ADC.

(5) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE V

ROE CITATIONS

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation, unsafe or unsound practice, or breach of fiduciary duty, cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article XVI of this Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations, practices, and breaches as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations and duties applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, unsafe or unsound practice, or breach of fiduciary duty, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future citations in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules, regulations and duties applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be forwarded to the ADC.

(5) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program(s) developed pursuant to this Article.

ARTICLE VI

INTERNAL AUDIT

(1) Within sixty (60) days, the Board shall employ or designate a firm or person(s) of sufficient experience and qualifications and establish an internal audit program of sufficient scope, frequency, and staff to detect irregularities, weak practices, violations of law and regulation, breaches of fiduciary duty and unsafe and unsound banking practices.

(2) The identity of the designated person or firm and a copy of the program shall be forwarded to the ADC.

(3) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VII

LOAN PORTFOLIO MANAGEMENT

(1) Within ninety (90) days, the Board shall, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, at a minimum:

- (a) procedures to ensure satisfactory and perfected collateral documentation;
- (b) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;

- (c) procedures to ensure conformance with loan approval requirements;
- (d) procedures to ensure the accuracy of loan risk ratings; and
- (e) procedures to ensure the accuracy of internal management information systems.

(2) Upon completion, a copy of the program shall be forwarded to the ADC.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems which provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) previously charged-off assets and their recovery potential;
- (c) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and
- (d) adequacy of credit and collateral documentation.

(4) Beginning July 31, 2003, for the quarter ended June 30, 2003, Bank management will provide the Board with quarterly written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this paragraph;

- (f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (g) the identification and amount of loans and leases to affiliates and Related Parties; and
- (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) Within sixty (60) days, the Board shall submit a plan, subject to the prior supervisory non-objection of the ADC, for the implementation of the loan servicing software for AmeriNational Community Services.

(6) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program(s) developed pursuant to this Article.

ARTICLE VIII

CREDIT RISK

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank. The program shall include, at a minimum:

- (a) procedures to strengthen credit underwriting, particularly for loans directly or indirectly tied to the aviation industry and loans to affiliates and Related Parties;

- (b) procedures to strengthen management of and limit risk related to current and future concentrations of credit risk; and
 - (c) procedures for strengthening collections.
- (2) The Board shall submit a copy of the program to the ADC.
- (3) At least quarterly, the Board shall prepare a written assessment of the Bank's credit risk, to include an evaluation of the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment to the ADC.
- (4) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE IX

INTERNAL LOAN REVIEW

- (1) Within sixty (60) days, the Board shall employ or designate a firm or person(s) of sufficient experience and qualifications to ensure the timely and independent identification of problem loans and leases.
- (2) The Board shall immediately take all necessary steps to ensure an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of 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 Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:
- (a) the overall quality of the loan and lease portfolios;

- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent loans and leases;
- (d) credit and collateral documentation exceptions;
- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (g) concentrations of credit;
- (h) loans and leases to affiliates and Related Parties; and
- (i) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans and leases in the Bank's loan and lease portfolios for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum, the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans and leases by industry, size, collateral, indirect dealer, and individual lending officer;

- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and
- (e) system for monitoring the adequacy of credit and collateral documentation.

(4) A written description of the program called for in this Article shall be forwarded to the ADC.

(5) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(6) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the books and records of the Bank.

(7) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program(s) developed pursuant to this Article.

ARTICLE X

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days, the Board shall obtain current and satisfactory credit information on all loans (including participations but excluding residential real estate or consumer 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 sixty (60) days, the Board shall ensure proper collateral documentation is maintained on all loans (including participations but excluding residential real estate or consumer 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) The Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit (including participations), unless, in advance, the Bank:

- (a) documents the specific reason or purpose for the extension of credit;
- (b) identifies the expected source of repayment in writing;
- (c) structures the repayment terms to coincide with the expected source of repayment;
- (d) obtains and analyzes current, financial, and credit information sufficient to make an informed decision regarding the repayment ability of the borrower;
- (e) documents, with adequate supporting material, the value of collateral; and
- (f) properly perfects the Bank's lien, if applicable.

(4) Failure to obtain the information required pursuant to paragraph (3) of this Article shall require a majority of the full Board (or a delegated committee thereof) to certify in writing that it was in the best interests of the Bank to nevertheless provide the extension of credit. The

Board or its delegated committee shall also provide the specific reason(s) that the non-complying extension of credit is in the best interests of the Bank.

ARTICLE XI

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in the assets (including participations) criticized (those listed as “special mention,” “substandard,” or “doubtful”) in the 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) The Board shall immediately take all necessary steps to ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets (including participations) in the ROE, in any subsequent Report of Examination, or by any internal or external loan review. 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 cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets (including participations) equal to or exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the ADC.

(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 (including participations) or criticized portion thereof that equals or exceeds one hundred thousand dollars (\$100,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the ADC on a quarterly basis (in a format similar to Appendix A, attached hereto).

(6) The Bank may not extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit (including participations) 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 (including participations) exceed one hundred thousand (\$100,000), unless the following conditions are met:

- (a) the Board or its 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, and documents the reasons such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program 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's or its designated committee shall be maintained in the credit file of the borrower.

(8) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program(s) developed pursuant to this Article.

ARTICLE XII

EARNINGS AND CAPITAL PROGRAM

(1) The Bank shall immediately cease and desist the payment of any capital distribution except for an amount necessary to cover the principal and interest payments of the holding company's debt in accordance with the earnings and capital program described in paragraphs (2) and (3) of this Article.

(2) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written three-year earnings and capital program that shall include a projection of major balance sheet and income statement components, and shall provide for injection of equity capital, as necessary. The program shall include, at a minimum:

(a) a written profit plan and a detailed budget. Specifically, the plan shall describe the Bank's objectives for improving Bank earnings, contemplated strategies, and major capital expenditures required to achieve those objectives. Such strategies shall include specific market segments that the Bank intends to promote or develop. Procedures shall also be established

to monitor the Bank's actual results against projections and to provide for appropriate adjustments to the budget and profit plan. The plan shall set forth specific time frames for the accomplishment of these objectives;

- (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) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) following a majority approval by all Bank directors, the results of which shall be permanently recorded in the Board minutes;
 - (ii) after the books and records of the Bank reflect all of the assets, liabilities, capital, income and expenses of the Bank in accordance with Generally Accepted Accounting Principles ("GAAP"), including but not limited to, the recordation of accrued expenses, an appropriate valuation of the Mortgaging Servicing Asset (the "MSA"), and an adequate Allowance for Loan and Lease Losses (the "ALLL");
 - (iii) the Bank is in compliance with its earnings and capital program;

- (iv) the Bank is in compliance with 12 U.S.C. §§ 56 and 60 as certified in writing by the Bank’s Chief Financial Officer, and certification is made a permanent part of the Board’s minutes; and
- (v) with the prior supervisory non-objection of the ADC.

(3) Upon completion, the Bank’s earnings and capital program shall be submitted to the ADC for her supervisory non-objection. Thereafter, the Board shall review and update the Bank’s capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the ADC.

(4) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE XIII

BOOKS AND RECORDS

(1) The Bank shall maintain its books, records and management information systems (“MIS”) in a complete and accurate condition, and the Bank’s files shall contain all records and information necessary to allow the Comptroller to determine the details or purposes of each of the Bank’s transactions. At a minimum, the Bank shall immediately develop, document and implement policies, procedures, systems and controls to ensure that, on an on-going basis, the books and records of the Bank:

- (a) utilize a chart of accounts that contains account descriptions consistent with the activity in the account;
- (b) reflect all of the assets, liabilities, capital, income and expenses of the Bank in accordance with GAAP;

- (c) provide references from the general ledger to the journal entries and, in turn, reference to the supporting source documents;
- (d) reflect readily available documentation to adequately support all general ledger entries;
- (e) reflect approval of all general ledger entries by an appropriate supervisor before being recorded in the books and records;
- (f) include account analyses and/or reconciliations where appropriate or useful to evaluate or understand amounts recorded in the account; and
- (g) readily reflect that the Bank has complied with all affiliate transaction laws, 12 C.F.R. § 215, and the Bank's policies and procedures.

(2) By July 31, 2003, the Bank shall develop, document and implement policies, procedures, systems, and controls to ensure that, on an on-going basis, all official and regulatory reports, including but not limited to, Consolidated Reports of Condition ("Call Reports"), filed by the Bank accurately reflect the Bank's condition as of the date such reports are submitted and are filed in accordance with all applicable agency and accounting guidance, including but not limited to, the Instructions for Preparation of Consolidated Reports of Condition.

(3) The Bank shall provide all federal financial regulatory agency personnel with prompt and unrestricted access to the Bank's books, records and staff, and provide full and complete details or purposes of the Bank's transactions to agency personnel upon inquiry.

(4) Within ninety (90) days, the Board shall cause to be developed and implemented revised written accounting policies and procedures for all significant Bank activities, including but not limited to, appropriate valuation and amortization of the MSA, and an adequate ALLL.

(5) The methodology developed for the MSA shall, on an on-going basis, ensure that the Bank is accurately reporting its MSA by requiring, at a minimum, the retention of a qualified, independent, market professional to provide a written quarterly estimate of the fair value of the MSA in accordance with the Interagency Advisory on Mortgage Banking, OCC Bulletin 2003-9, and the Mortgage Banking booklet, I-MB, of the Comptroller's Handbook. The market professional shall have current and demonstrated expertise in the valuations of MSAs and shall be subject to the prior supervisory non-objection of the ADC. The Bank shall provide written instructions to the valuation expert to:

- (a) comply with all applicable professional standards;
- (b) fully disclose and document all assumptions contributing to the valuation figure(s); and
- (c) fully disclose and document the methodology used to derive the valuation figure(s).

(6) The methodology developed for the ALLL shall, on an on-going basis, ensure that the Bank is accurately reporting its ALLL by requiring, at a minimum, that the methodology be consistent with the Allowance for Loan and Lease Losses booklet, A-ALLL, of the Comptroller's Handbook.

(7) The Bank shall submit a description of its methodologies for valuing the MSA and determining the ALLL to the ADC for her prior supervisory non-objection.

(8) The Board shall ensure that it provides the necessary oversight and has the processes, personnel, and control systems to ensure implementation of and adherence to the programs developed pursuant to this Article.

ARTICLE XIV

LIQUIDITY

(1) The Board shall review the Bank's liquidity on a monthly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit, including large uninsured deposits;
- (b) the volatility of demand deposits including escrow deposits;
- (c) the amount and type of loan commitments and standby letters of credit;
- (d) an analysis of the continuing availability and volatility of present funding sources;
- (e) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans; and
- (f) an analysis of the impact of decreased cash flow from the sale of loans or loan participations.

(2) Within sixty (60) days, the Board shall take appropriate action to ensure adequate sources of liquidity in relation to the Bank's needs. Monthly reports shall set forth liquidity requirements and sources and establish a contingency plan. Copies of these reports shall be forwarded to the ADC in the Bank's quarterly report.

ARTICLE XV

INTEREST RATE RISK

(1) Within ninety (90) days, the Board shall ensure the Bank's tools to measure and monitor interest rate risk performance and risk profile are effective and include all applicable items, including the MSA.

(2) Upon adoption, a copy of the Bank's measurement tool, assumptions, and analysis shall be forwarded to the ADC.

(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 XVI

PROGRESS REPORTING - QUARTERLY

(1) The Board shall submit quarterly progress reports to Sheila A. Van Ornum, Assistant Deputy Comptroller, Office of the Comptroller of the Currency, Minneapolis South Field Office, 920 Second Avenue South, Suite 800, Minneapolis, Minnesota, 55402. These reports shall set forth in detail:

- (a) actions taken since the prior progress report to comply with each Article of the Order;
- (b) results of those actions; and
- (c) a description of the actions needed to achieve full compliance with each Article of this Order.

(2) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the ROE or in any future Report of Examination. The first progress report shall be submitted for the period ending June 30, 2003 and will be due within thirty (30) days of that date. Thereafter, progress reports will be due within thirty (30) days after the quarter end.

ARTICLE XVII

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review and/or supervisory non-objection of the ADC, 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 Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon /issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States.

(6) The terms of this Order, 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.

IT IS SO ORDERED, this 31 day of March 2003.

/s/ Sheila A. Van Ornum

Sheila A. Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office

3/31/03

Date

(2) The Office of the Comptroller of the Currency is the “appropriate Federal banking agency” with regulatory and supervisory responsibility for the Bank pursuant to 12 U.S.C. § 1813(q), and § 1818(b).

(3) The Bank is an “insured depository institution” as defined in 12 U.S.C. § 1813(c)(2) and within the meaning of 12 U.S.C. § 1818(b)(1).

(4) The Bank acknowledges that it is currently solvent.

ARTICLE II

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller. The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i)(1).

ARTICLE III

(1) The Bank, by signing this Stipulation and Consent, admits to the jurisdiction of the Comptroller with respect to the matters set forth in the Order pursuant to 12 U.S.C. § 1818(b).

(2) The Bank, by signing the Stipulation and Consent, hereby waives:

- (a) any and all procedural rights available in connection with the issuance of the Order including the right to the issuance of a notice of charges, an administrative hearing and all post hearing procedures available pursuant to 12 U.S.C. § 1818;

- (b) all rights to seek any type of administrative or judicial review of the Order, or any provision hereof, including all such rights provided by 12 U.S.C. § 1818(h);
- (c) any and all rights to challenge or contest in any manner the basis, issuance, validity, terms, effectiveness or enforceability of the Order or any provision hereof;
- (d) entry of findings of fact and conclusions of law; and
- (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter and/or the Consent Order, whether arising under common law or under the terms of any statute, including but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

ARTICLE IV

(1) The provisions of this Order shall become effective upon execution of this Order by the Comptroller, through his authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated by the Comptroller through the exercise of his sole discretion.

ARTICLE V

(1) The Bank agrees that the provisions of this Stipulation and Consent, and the Order, shall not be construed as an adjudication on the merits, and shall not inhibit, estop, bar, or

otherwise prevent the Comptroller from taking any other action involving or affecting the Bank, if at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America, including but not limited to, the appointment of a conservator or receiver, or the commencement of any other action that he deems to be appropriate as a result of findings arising from any examination of the Bank.

(2) The Bank understands and agrees that nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Stipulation and Consent or the terms and provisions of the Order, and that nothing herein constitutes, nor shall the Bank contend that it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

(3) This Agreement is intended, 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 as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/ Sheila A. Van Ornum

3/31/03

Sheila A. Van Ornum
Assistant Deputy Comptroller
Minneapolis Field Office

Date

IN TESTIMONY WHEREOF, the undersigned members of the Board of Directors of the Bank have hereunto set their hands on behalf of the Bank:

NAMES:	SIGNATURES:	DATES:
Gary Anderson	Signed	3/31/03
Daniel R. Cartier	Signed	3-31-03
Jon R. Lindeman	Signed	3-31-03
Linda J. Lindeman	Signed	3-31-03
Teresa Matheson	Signed	3-31-03
James Siegel	Signed	3-31-2003
Patricia Tewes	Signed	3-31-03
Adrienne Thorson	Signed	3-31-2003