

AGREEMENT BY AND BETWEEN

Community National Bank  
Waterloo, Iowa  
and  
The Comptroller of the Currency

Community National Bank, Waterloo, Iowa (“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 violations of law and unsafe or unsound banking practices relating to asset quality and credit risk management at the Bank.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (“Board”), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller  
Minneapolis South Field Office  
920 Second Avenue South, Suite 800  
Minneapolis, MN 55402

## ARTICLE II

### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated September 30, 2007 (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 individual workout plans 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." Each workout plan shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the revalidation and/or 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 action to eliminate the basis of criticism and the time frame for its accomplishment.

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

(4) The Board or a designated committee shall conduct a review, on at least a quarterly basis, 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, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any 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 (\$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 III

#### CREDIT AND COLLATERAL EXCEPTIONS

(1) Within one hundred and twenty (120) days the Board shall ensure that current and satisfactory credit information is obtained on all loans lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan

review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within one hundred and twenty (120) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) If the Board or designated Bank management is unable to obtain the credit information or collateral documentation required by paragraphs (1) and (2) of this Article within one hundred and twenty (120) days, the Board shall document its efforts to obtain such information or documentation, and maintain the documentation of its efforts in the loan file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing, 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 a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the

information in (4)(d) would be detrimental to the best interests of the Bank.

- (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable

#### ARTICLE IV

##### LOAN STAFFING

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

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

(3) If the Board is unable to employ any qualified candidates within the timeframes set forth above, the Board shall document its efforts to locate such candidates. Thereafter, the Board shall provide quarterly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

## ARTICLE V

### CREDIT RISK AND NONACCRUAL IDENTIFICATION

(1) Within ninety (90) days, the Board shall ensure the review, and if necessary, revision of the Bank's risk rating definitions. The rating definitions should include a description of the attributes or characteristics related to each rating category. The rating process should also include concepts and definitions described in the "Rating Credit Risk" booklet of the Comptroller's Handbook.

(2) Upon revision of the risk rating definitions, a copy of the definitions shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

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

- (a) early problem loan identification to ensure timely identification and rating of loans based on lending officer submissions; and
- (b) timely identification of loans that warrant nonaccrual accounting treatment.

(4) Beginning June 30, 2008, on a monthly basis, management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans; and
- (b) the identification, type, rating, and amount of nonaccrual loans.

## ARTICLE VI

### INDEPENDENT LOAN REVIEW

(1) Within ninety (90) days, the Board shall ensure the establishment, implementation, and thereafter ensure Bank adherence to an effective, independent and on-going loan review system to review, at least quarterly, the Bank's commercial and retail 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. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent and nonaccrual loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (f) loans and leases not in conformance with the Bank's lending and leasing policies.

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

(3) The Board or a designated committee shall review the independent loan review reports and ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the reports.

(4) 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 at the Bank.

## ARTICLE VII

### LENDING POLICY

(1) Within ninety (90) days, the Board shall ensure the review and revision of the Bank's written loan policy and underwriting guidelines. In revising this policy, Bank management shall refer to “Loan Portfolio Management”, “Commercial Real Estate and Construction Lending”, “Concentrations of Credit”, and “Accounts Receivable and Inventory Financing” booklets of the Comptroller’s Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) requirements designating when loan extensions, modifications, renewals, or deferrals are appropriate and who has approval authority;
- (b) a system or process to document, track, and report policy or underwriting exceptions;
- (c) a description of key lending controls, including separation of duty and disbursement requirements, such as when construction invoices are required prior to disbursing loan proceeds;

- (d) requirements detailing the quality of financial information (e.g. borrower prepared, compiled, or audited) required from borrowers and when lenders must complete financial spreads;
- (e) a designation of the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;
- (f) a designation of the loan types and size ranges for when loan covenants or loan agreements must be used, including when the loan covenants should include financial performance measures;
- (g) requirements for determining when global cash flow analysis on borrowers and related entities or guarantor analysis is necessary. The guarantor analysis should include an evaluation of tangible net worth;
- (h) a process for post construction budget reviews to verify the accuracy of projected costs on commercial and residential construction projects and to verify equity injected by the borrower;
- (i) requirements for using formal “borrowing base” information that includes an acceptable accounts receivable aging, inventory validation, or inventory audits when needed;
- (j) requirements for monitoring or tracking actual lot sales and prices on land development loans; and
- (k) enhanced risk management practices for loan concentrations.

(2) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE VIII

### CAPITAL MINIMUMS

(1) By June 30, 2008, the Bank shall achieve and thereafter maintain, while subject to this Agreement, the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eight percent (8%) of adjusted total assets;<sup>1</sup>
- (b) Total capital at least equal to eleven percent (11%) 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) Prior to paying any dividends, the Board shall provide a written request to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

## ARTICLE IX

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The Board shall submit quarterly progress reports to the

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<sup>1</sup> Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

Assistant Deputy Comptroller detailing the date and manner in which each correction has been effected during that reporting period until all violations cited in the ROE have been corrected.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations 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 and regulations 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, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations 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 and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

## ARTICLE X

### CLOSING

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

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

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

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

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

- (a) authorize and adopt such actions on behalf of the Bank and direct Bank management to take such actions 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 his hand on behalf of the Comptroller.

/s/ Jay Branger  
Jay E. Branger  
Acting Assistant Deputy Comptroller  
Minneapolis South Field Office

March 11, 2008  
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.

<u>/s/</u> Robert T. Buckley	<u>March 11, 2008</u> Date
<u>/s/</u> Kenneth A. Budke	<u>March 11, 2008</u> Date
<u>/s/</u> Ross D. Christenson	<u>March 11, 2008</u> Date
<u>/s/</u> Thomas L. Hoveland	<u>March 11, 2008</u> Date
<u>/s/</u> Kenneth A. Lockard	<u>March 6, 2008</u> Date
<u>/s/</u> David R. Mason	<u>March 11, 2008</u> Date
<u>/s/</u> Kathleen E. McCoy	<u>March 6, 2008</u> Date
<u>/s/</u> Michael L. Peterson	<u>March 11, 2008</u> Date
<u>/s/</u> Robert L. Smith Jr.	<u>March 11, 2008</u> Date
<u>/s/</u> Josef M. Vich	<u>March 11, 2008</u> Date
<u>/s/</u> Richard C. Young	<u>March 11, 2008</u> Date