

AGREEMENT BY AND BETWEEN
The First National Bank of Milaca
Milaca, MN
and
The Comptroller of the Currency

The First National Bank of Milaca, Milaca, MN (“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, through his authorized representatives, 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 the:

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

ARTICLE II

CREDIT RISK IDENTIFICATION

(1) Within sixty (60) days, the Board shall establish an effective and on-going credit risk rating system that assures the timely identification and categorization of problem credits. The system should use a loan grading system consistent with the guidelines set forth in the “Rating Credit Risk” booklet for the Comptroller’s Handbook and provide for:

- (a) effective monitoring of early problem loan identification to assure the timely identification and rating of loans based on lending officer submissions; and
- (b) timely risk rating downgrades when conditions warrant without compromise or delays based on unfounded reliance on guarantors, payment history, borrower character, or potential future events.

ARTICLE III

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days the Board shall obtain current and satisfactory credit information on all loans lacking such information, including those listed in the Report of Examination, dated as of March 31, 2010 (“ROE”) (that are still lacking such information), in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners.

(2) Within ninety (90) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners.

(3) If the Board and management are unable to obtain the credit information or collateral documentation required by paragraphs (1) and (2) of this article within ninety (90) days, the Board and management shall document their efforts to obtain such information or documentation, and maintain documentation of their efforts in the loan file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit equal to or exceeding one hundred thousand dollars (\$100,000) only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;

- (d) obtaining and analyzing current and satisfactory credit information, including global cash flow analysis with appropriate adjustments, including living expenses where applicable, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (4)(d) of this Article 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) of this Article.
 - (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 the value of collateral (with adequate supporting material and in compliance with 12 C.F.R. Part 34), and properly perfecting the Bank's lien on it, where applicable.

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 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 ninety (90) 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; 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 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) The restrictions of paragraph (6) of this Article do not apply to occasional, short-term advances of ten thousand dollars (\$10,000) or less to cover commercial overdrafts in the normal course of business.

(8) A copy of the approval of the Board or of the designated committee shall be maintained at the Bank.

ARTICLE V

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall review the methodology and adequacy of the Bank's Allowance for Loan and Lease Losses ("ALLL") and shall establish a program for the maintenance of an adequate ALLL balance in accordance with generally accepted accounting principles. This review and program shall be consistent with the guidance set forth in OCC Bulletin 2006-47, the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" (December 13, 2006), ("Interagency Statement") and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with FASB ASC 310-10, Receivables-Overall-Subsequent Measurement-Impairment, (formerly known as FASB Statement of Financial Accounting Standards No. 114, Accounting for Creditors for Impairment of a Loan);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with FASB ASC 450-20, Loss Contingencies, (formerly known as FASB Statement of Financial Accounting Standards No. 5, Accounting for Contingencies), and address the nine qualitative factors set forth in the Interagency Statement; and
- (c) a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL. Any deficiency between the ALLL balance determined by the analysis required by this

Article and the Bank's actual ALLL balance, regardless of the amount of such deficiency, shall be remedied through additional provision expenses in the quarter it is discovered, prior to filing the Call Report.

ARTICLE VI

RETAIL LENDING POLICY

(1) Within sixty (60) days, the Board shall review and revise the Bank's written retail loan policy. In revising this policy, the Board shall refer to "Loan Portfolio Management" booklet of the Comptroller's Handbook. At a minimum, this policy should include the following:

- (a) maximum debt to income ratios;
- (b) requirements for obtaining a credit bureau reports;
- (c) minimal acceptable credit bureau scores;
- (d) maximum loan-to-value (LTV) guidelines and acceptable sources of valuation;
- (e) income verification guidelines;
- (f) requirements for a written and signed credit application;
- (g) guidelines to discourage the use of balloons payments;
- (h) guidelines for renewing, extending, deferring, and rewriting loans;
- (i) guidelines for skip-a-pay program;
- (j) approval requirements for unsecured lending and other types of lending;
- (k) approval requirements for policy exceptions; and
- (l) loan classification and charge-off guidelines.

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

ARTICLE VII

RETAIL CREDIT CLASSIFICATION GUIDELINES

(1) Within sixty (60) days, the Board shall establish an effective and on-going program to ensure compliance with interagency guidelines governing loan renewals, extensions, deferrals, and rewrites. The program shall be consistent with the guidelines set forth in OCC Bulletin 2000-20, Uniform Retail Credit Classification and Account Management Policy (June 20, 2000), and shall include, at a minimum:

- (a) requirements for timely identification of closed-end and open-end loan charge-offs;
- (b) criteria for classifying delinquent residential mortgage and home equity loans;
- (c) charge-off criteria for bankrupt obligors, deceased obligors, and fraud;
- (d) limits and criteria for re-aging open-end credit; and
- (e) guidance for controlling the use of extensions, deferrals, renewals, and rewrites of closed-end loans.

(2) Upon adoption of the program, the Board shall thereafter ensure Bank adherence to the program, and shall forward a copy of the program to the Assistant Deputy Comptroller.

ARTICLE VIII

INDEPENDENT LOAN REVIEW

(1) Within ninety (90) days, the Board shall establish an effective, independent and on-going loan review program to review the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The program shall use a loan and lease grading system consistent with the guidelines set forth in the "Rating Credit Risk" booklet of the Comptroller's Handbook and shall consist of sampling of the retail and commercial loan and lease portfolio by an independent party. The Board shall submit the proposed scope of the loan review engagement to the Assistant Deputy Comptroller for review and a written determination of no supervisory objection.

(2) All reports required for an effective and on-going credit risk rating program set forth in Paragraph (1) of this Article shall ensure timely identification and categorization of problem credits and shall include, at a minimum, 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) the identification of credit and collateral documentation exceptions;
- (e) an analysis of credit concentrations; and
- (f) a listing of loans and leases not in conformance with the Bank's lending and leasing policies.

(3) The Board shall ensure that the loan review is conducted by a party who is independent of the decision making or approval process for the loans reviewed.

(4) The Board shall evaluate the 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).

(5) 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 IX

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 and to ensure that the Bank has the processes, personnel, and control systems to ensure implementation of and adherence to this Agreement.

(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 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/

Nancy M. Sundstrom
Assistant Deputy Comptroller
Minneapolis Field Office

11/2/10

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/ _____ Kirby T. Allen	10/29/10 _____ Date
/s/ _____ Andrew C. Allen	10/29/10 _____ Date
/s/ _____ B. P. Allen Jr.	10/29/10 _____ Date
/s/ _____ Brian J. Bauerly	10/31/10 _____ Date
/s/ _____ Teresa Bergstrom	10/29/10 _____ Date
/s/ _____ Douglas J. Brink	11/01/10 _____ Date
/s/ _____ Michael J. Doty	10/29/10 _____ Date
/s/ _____ Stephen W. Hubers	11/1/10 _____ Date
/s/ _____ Barbara Jedlicki	10/29/10 _____ Date
/s/ _____ LaRoy A. Luther	11/1/10 _____ Date
/s/ _____ Roger W. Tramm	11/1/10 _____ Date

APPENDIX A

The First National Bank of Milaca
Milaca, MN

CRITICIZED ASSET REPORT AS OF: _____

BORROWER(S): _____

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$ _____ CRITICISM _____

AMOUNT CHARGED OFF TO DATE _____

FUTURE POTENTIAL CHARGE-OFF _____

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds one hundred thousand dollars (\$100,000) and retain the original in the credit file for review by the examiners. Submit your reports quarterly until notified otherwise, in writing, by the Assistant Deputy Comptroller.

