

AGREEMENT BY AND BETWEEN  
Minnstar Bank, National Association  
Lake Crystal, Minnesota  
and  
The Office of the Comptroller of the Currency

AA-CE-2024-2

Minnstar Bank, National Association (“Bank”) and the Office of the Comptroller of the Currency (“OCC”) wish to assure the safety and soundness of the Bank and its compliance with laws and regulations.

The Comptroller of the Currency (“Comptroller”) has found unsafe or unsound practices, including those relating to concentrations of credit, credit underwriting and administration, appraisals, allowance for credit losses, strategic planning, incentive compensation, capital planning, and liquidity risk management, and violations of law, rule, or regulation, including those relating to loans to executive officers, lending limits, and appraisals;

Therefore, the OCC, through the duly authorized representative of the Comptroller, and the Bank, through its duly elected and acting Board of Directors (“Board”), hereby agree that the Bank shall operate at all times in compliance with the following:

**ARTICLE I**

**JURISDICTION**

(1) The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) The Bank is a national banking association within the meaning of 12 U.S.C. § 1813(q)(1)(A), and is chartered and examined by the OCC. *See* 12 U.S.C. § 1 *et seq.*

(3) The OCC is the “appropriate Federal banking agency” as that term is defined in 12 U.S.C. § 1813(q).

## **ARTICLE II**

### **COMPLIANCE COMMITTEE**

(1) Within thirty (30) days of the date of this Agreement, the Board shall appoint a Compliance Committee of at least three (3) members which shall include the Chairman of the Board and two members who shall be directors who are not employees or officers of the Bank or any of its subsidiaries or affiliates. The Board shall submit in writing to the Assistant Deputy Comptroller the names of the members of the Compliance Committee within ten (10) days of their appointment. In the event of a change of the membership, the Board shall submit in writing to the Assistant Deputy Comptroller within ten (10) days the name of any new or resigning committee member. The Compliance Committee shall monitor and oversee the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall meet at least quarterly and maintain minutes of its meetings.

(2) By April 30, 2024, and thereafter within thirty (30) days after the end of each quarter, the Compliance Committee shall submit to the Board a written progress report setting forth in detail:

- (a) a description of the corrective actions needed to achieve compliance with each Article of this Agreement;
- (b) the specific corrective actions undertaken to comply with each Article of this Agreement; and
- (c) the results and status of the corrective actions.

(3) Upon receiving each written progress report, the Board shall forward a copy of the report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of the first Board meeting following the Board's receipt of such report.

## **ARTICLE III**

### **CONCENTRATIONS OF CREDIT**

(1) Within thirty (30) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Concentration Risk Management Program (“Concentration Program”). Refer to the “Concentrations of Credit” booklet of the Comptroller’s Handbook. For purposes of this Article, a concentration of credit is as defined in the “Concentrations of Credit” booklet of the Comptroller’s Handbook.

- (2) The Concentration Program shall include, at a minimum:
- (a) identification of the Bank’s known and potential concentrations of credit including, but not limited to, the concentrations identified in the most recent examination of the Bank;
  - (b) the establishment of safe and sound, formal limits and sub-limits for all concentrations of credit including, but not limited to, the concentrations identified in the most recent examination of the Bank, based on a percentage of Tier 1 capital plus the allowance for credit losses, stratified by loan type, locality of the borrower and/or collateral, and other meaningful measures;
  - (c) development and implementation of action plans, approved by the Board, to reduce concentrations to conform to the established limits set in subparagraph (b) of this Article, including strategies and procedures when concentrations approach or exceed Board-approved limits;

- (d) prohibit the origination of new unsecured or under-secured credit commitments and prohibit the renewal of under-secured credit commitments (not including overdrafts made in ordinary course by customers that do not include borrowers that already have unsecured or under secured advances or borrowers to whom or which the Bank already has a concentration of credit) until unsecured and under-secured levels are within reasonable, Board-approved limits;
- (e) management information systems that ensure timely and accurate reporting of concentrations to the Board including concentration reports that stratify the loan portfolio by type, locality, and other meaningful measures and procedures for monitoring concentration reports monthly based upon total committed amounts relative to Board-approved limits; and
- (f) annual re-evaluation and approval of concentration limits by the Board, and a Board policy that requires detailed analysis and written support of any proposed changes demonstrating the credit or interest rate risk that will result from the change.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Concentration Program or to any subsequent amendment to the Concentration Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Concentration Program. The Board shall review the effectiveness of the Concentration Program at least annually, and more frequently if necessary or

if required by the OCC in writing, and amend the Concentration Program as needed or directed by the OCC. Any amendment to the Concentration Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

#### **ARTICLE IV**

##### **CREDIT UNDERWRITING AND ADMINISTRATION**

(1) Within thirty (30) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written credit underwriting and administration program (“Credit Underwriting and Administration Program”) designed to ensure the Bank obtains and analyzes credit and collateral information sufficient to identify, monitor, and report the Bank’s credit risk, properly account for loans, and assign accurate risk ratings in a timely manner. The Credit Underwriting and Administration Program shall be consistent with safe and sound banking practices.

(2) The Credit Underwriting and Administration Program shall, at a minimum, include:

- (a) policies that provide clear and prudent underwriting guidance for unsecured and under-secured lending;
- (b) policies that detail critical underwriting exception definitions and covenant requirements and expand exception coding to include a comprehensive list of possible exception types;
- (c) procedures to identify and report all underwriting exceptions on the bank’s loan exception report to be provided to the Board on at least a monthly basis;

- (d) procedures that provide for completion of a thorough risk assessment for all under-secured loans;
- (e) implement procedures for the identification of supervisory loan-to-value exceptions and ensure complete and accurate reporting of such exceptions to the Board;
- (f) procedures to identify and track exceptions related to performance covenants, as applicable;
- (g) procedures to ensure that equity sources are fully documented at underwriting with detailed sources and uses of funds analysis;
- (h) policies for construction lending that provide clear guidance for sound construction controls, including upfront equity minimums and what constitutes equity, guidance on independent monitoring/inspections, monitoring of third parties, disbursement of funds, and cost overrun funding;
- (i) procedures for construction lending that provide for internal controls that include, but are not limited to monitoring of funds against the sworn construction statement; obtaining monitoring reports when third parties are controlling construction draws; and ensuring independence with inspections and disbursement of funds;
- (j) policies that formally identify existing loan commitments and new extensions of credit to the same borrower when determining lending authority;

- (k) policies that require approval from the Chief Credit Officer if loan officers are permitted to “stack” multiple loan authorities; and
- (l) an independent loan review process reporting directly to the Board that provides for:
  - i. sufficient frequency and coverage to comply with bank policy;
  - ii. a scope that includes, at a minimum, risk rating accuracy, underwriting practice analysis, exception identification, credit concentrations, and legal lending limit and insider lending compliance;
  - iii. independent sample selection; and
  - iv. independent financial and cash flow analysis to verify the accuracy of the Bank’s analysis.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection to the Credit Underwriting and Administration Program or to any subsequent amendment to the Credit Underwriting and Administration Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Credit Underwriting and Administration Program. The Board shall review the effectiveness of the Credit Underwriting and Administration Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Underwriting and Administration Program as needed or directed by the OCC. Any amendment to the Credit Underwriting and Administration Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## ARTICLE V

### CREDIT RISK RATING

(1) Within thirty (30) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written credit risk rating program (“Credit Risk Rating Program”) designed to ensure that the risk associated with the Bank’s loans and other assets is properly reflected and accounted for on the Bank’s books and records. Refer to the “Rating Credit Risk” booklet of the *Comptroller's Handbook* for related safe and sound principles.

(2) The Credit Risk Rating Program shall address, at a minimum:

- (a) policies and procedures designed to ensure the Bank’s loans and other assets are appropriately and timely risk rated and charged off by management using a safe and sound loan grading system that is based upon current facts, existing repayment terms, considers the loan purpose, and focuses on the primary source of repayment; and
- (b) policies and procedures designed to ensure credit risk ratings are reviewed and updated whenever relevant new information is received, but no less than annually, and include procedures for timely risk rating downgrades when conditions warrant without compromise or delay based on unfounded reliance on guarantors, payment history, borrower character or potential future events.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection to the Credit Risk Rating Program or to any subsequent amendment to the Credit Risk Rating Program, the Board shall adopt and Bank

management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Credit Risk Rating Program. The Board shall review the effectiveness of the Credit Risk Rating Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Credit Risk Rating Program as needed or directed by the OCC. Any amendment to the Credit Risk Rating Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE VI**

### **LENDING LIMITS**

(1) Within thirty (30) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Lending Limit Policy designed to ensure that the Bank complies with the lending limit requirements of 12 U.S.C. § 84, 12 C.F.R. Part 32, and 12 C.F.R. Part 215.

(2) The Lending Limit Policy must, at a minimum:

- (a) provide sufficient guidance to Bank staff regarding the lending limit requirements of 12 U.S.C. § 84, 12 C.F.R. Part 32, and 12 C.F.R. Part 215; and
- (b) require retention of sufficient documentation to assess compliance with applicable lending limits, including whether loans must be combined.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Lending Limit Policy or to any subsequent amendment to the Lending Limit Policy, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and

thereafter ensure adherence to the Lending Limit Policy. The Board shall review the effectiveness of the Lending Limit Policy at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Lending Limit Policy as needed or directed by the OCC. Any amendment to the Lending Limit Policy must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(4) Within ninety (90) days of the date of this Agreement, the Board must engage an independent third party to conduct, and the independent third party must complete, a review of the five relationships identified in the most recent examination of the Bank to assess compliance with applicable lending limits and determine whether any violations exist. Upon completion, the Board shall submit to the Assistant Deputy Comptroller a copy of the of the third party review.

## **ARTICLE VII**

### **APPRAISAL AND APPRAISAL REVIEW**

(1) Within thirty (30) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a written real estate valuation program containing policies and procedures designed to ensure that the Bank obtains appropriate real estate appraisals and completes adequate appraisal reviews in compliance with 12 C.F.R. Part 34. Refer to the Uniform Standards of Professional Appraisal Practice (“USPAP”), OCC Bulletin 2010-42: “Interagency Appraisal and Evaluation Guidelines” (December 2010), OCC Bulletin 2018-39: “Frequently Asked Questions on the Appraisal Regulations and the Interagency Appraisal and Evaluation Guidelines” (October 2018), and OCC Bulletin 2016-8: “Interagency Advisory on Use of Evaluations in Real Estate-Related Financial Transactions” (March 2016). The program shall include, at a minimum:

(a) criteria for obtaining updated appraisals, new appraisals, and evaluations;

- (b) procedures to ensure that appraisals, updates and evaluations are the appropriate type and ordered in a timely manner;
- (c) procedures to ensure appraisals meet the standards of 12 C.F.R. § 34.44, and that evaluations contain sufficient information to support the credit decision and are consistent with safe and sound banking practices;
- (d) a requirement to use appraisers who are approved by the Board and meet the independence requirements in 12 C.F.R. § 34.45;
- (e) procedures for the establishment and implementation of a policy requiring a meaningful review, independent of the lender, of all appraisals and evaluations that includes analysis commensurate with the type, size and complexity of the property being valued;
- (f) procedures to ensure that appraisal reviews are completed by independent and qualified personnel;
- (g) procedures that require thorough vendor management reviews of appraisers to determine if they meet minimum qualifications to remain on the approved appraiser list; and
- (h) policies requiring that lending officers and senior management are assigned responsibility and held accountable (to include, at a minimum, consideration in periodic performance reviews and compensation) for ensuring adherence to the program adopted pursuant to this Article;

(2) Within thirty (30) days following receipt of the Assistant Deputy Comptroller written determination of no supervisory objection to the program described in paragraph (1) of this Article, the Board shall adopt and Bank management, subject to Board review and ongoing

monitoring, shall immediately implement and thereafter ensure adherence to the program. The Board shall review the effectiveness of the program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the program as needed or directed by the OCC. Any amendment to the program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE VIII**

### **LOAN PORTFOLIO STRESS TESTING**

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written loan portfolio stress testing program (“Loan Portfolio Stress Testing Program”).

- (2) The Loan Portfolio Stress Testing Program shall, at a minimum, include:
- (a) loss rates by segment in the severe stress case that reflect severe risk exposure;
  - (b) appropriate timeframes commensurate with the specific risk case; and
  - (c) stress testing applicable variables based on loan segment.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller written determination of no supervisory objection to the Loan Portfolio Stress Testing Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the program. The Board shall review the effectiveness of the program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the program as needed or directed by the OCC. Any

amendment to the program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE IX**

### **ALLOWANCE FOR CREDIT LOSSES**

(1) Within thirty (30) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a revised, written program for maintaining and reporting an adequate Allowance for Credit Losses (“ACL Program”) in accordance with generally accepted accounting principles (“GAAP”) and the instructions for reporting the ACL on the Consolidated Reports of Condition and Income (“Call Reports”). Refer to the “Allowance for Credit Losses” booklet of the *Comptroller's Handbook* and the “Interagency Policy Statement on Allowances for Credit Losses,” dated April 21, 2023 (OCC Bulletin 2023-11). The ACL Program shall, at a minimum, include criteria and procedures for:

- (a) determining provision expenses sufficient to ensure ACL levels are commensurate with existing credit exposures;
- (b) modeling of Current Expected Credit Losses (“CECL”) that ensures adequate consideration of quantitative data and qualitative adjustments including: consideration of a full credit cycle in the look back period for quantitative data; narrative analysis to support each qualitative factor used in the model; proper support for all qualitative adjustments; and controls to ensure model output is directionally consistent with credit exposures and trends;

- (c) supporting the estimation of expected credit losses and adjustments with documentation and analysis of historical credit losses and all significant qualitative and environmental factors and reasonable and supportable forecasts that affect the collectability of the Bank's financial assets; and
- (d) documenting the Board's determination, at least quarterly, of the adequacy of the Bank's ACL amount to be reported in the Bank's Call Report, including the factors considered and rationale supporting the Board's conclusion.

(2) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the ACL Program, or to any subsequent amendment to the ACL Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the ACL Program. The Board shall review the effectiveness of the ACL Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the ACL Program as needed or directed by the OCC. Any amendment to the ACL Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE X**

### **STRATEGIC PLAN**

(1) Within ninety (90) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written strategic plan for the Bank, covering at least a three year period ("Strategic Plan"). The Strategic Plan shall establish objectives for the Bank's overall risk

profile, earnings performance, growth, and capital and liquidity adequacy, together with strategies to achieve those objectives, and shall, at a minimum, include:

- (a) the strategic goals and objectives to be accomplished, including key financial indicators, risk tolerances, and realistic strategies to improve the overall condition of the Bank;
- (b) a risk profile that evaluates credit, interest rate, liquidity, price, operational, compliance, strategic, and reputation risks in relationship to capital;
- (c) an evaluation of the Bank's internal operations, staffing requirements and staff competency, board and management information systems, policies, and procedures for their adequacy and contribution to the accomplishment of the strategic goals and objectives developed under paragraph (1)(a) of this Article;
- (d) a realistic and comprehensive budget that corresponds to the Strategic Plan's goals and objectives;
- (e) concentration limits commensurate with the Bank's strategic goals and objectives and risk profile;
- (f) assigned roles, responsibilities, and accountability for the strategic planning process; and
- (g) a description of systems and metrics designed to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) Within thirty (30) days following the Board's receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Strategic Plan or to any

subsequent update or amendment to the Strategic Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Strategic Plan. The Board shall review the effectiveness of the Strategic Plan and update the Strategic Plan to cover the next three-year period at least annually, and more frequently if necessary or if required by the OCC in writing. The Board shall amend the Strategic Plan as needed or directed by the OCC. Any update or amendment to the Strategic Plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(3) Until the Strategic Plan required under this Article has been submitted by the Bank for the Assistant Deputy Comptroller's review, has received a written determination of no supervisory objection from the Assistant Deputy Comptroller, and has been adopted by the Board, the Bank shall not significantly deviate from the products, services, asset composition and size, funding sources, structure, operations, policies, procedures, and markets of the Bank that existed immediately before the effective date of this Formal Agreement without first obtaining the Assistant Deputy Comptroller's prior written determination of no supervisory objection to such significant deviation.

(4) The Bank may not initiate any action that significantly deviates from a Strategic Plan (that has received written determination of no supervisory objection from the Assistant Deputy Comptroller and has been adopted by the Board) without a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) Any request by the Bank for prior written determination of no supervisory objection to a significant deviation described in paragraphs (4) or (5) of this Article shall be submitted in writing to the Assistant Deputy Comptroller at least thirty (30) days in advance of

the proposed significant deviation. Such written request by the Bank shall include an assessment of the effects of such proposed change on the Bank's condition and risk profile, including a profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the proposed change.

(6) For the purposes of this Article, changes that may constitute a significant deviation include, but are not limited to, a change in the Bank's markets, marketing strategies, products and services, marketing partners, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, asset composition and size, or funding strategy, any of which, alone or in the aggregate, may have a material effect on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material effect on the Bank's operations or financial performance.

(7) Within forty-five (45) days after the end of each quarter, a written evaluation of the Bank's performance against the Strategic Plan shall be prepared by Bank management and submitted to the Board. Within thirty (30) days after submission of the evaluation, the Board shall review the evaluation and determine the corrective actions the Board will require Bank management to take to address any identified shortcomings. The Board's review of the evaluation and discussion of any required corrective actions to address any identified shortcomings shall be documented in the Board's meeting minutes. Upon completion of the Board's review, the Board shall submit to the Assistant Deputy Comptroller a copy of the evaluation as well as a detailed description of the corrective actions the Board will require the Bank to take to address any identified shortcomings.

## **ARTICLE XI**

### **BOARD OVERSIGHT AND CORPORATE GOVERNANCE**

(1) Within sixty (60) days of the date of this Agreement, the Bank shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written program to provide the overall direction, oversight, and corporate governance of the Bank (“Board Oversight and Corporate Governance Program”).

(2) The Board Oversight and Corporate Governance Program shall, at a minimum, include:

- (a) periodic Board review and approval of the Bank’s risk appetite and risk limits;
- (b) procedures to monitor management’s implementation of Board-established goals and objectives;
- (c) a plan for addressing identified risk management deficiencies;
- (d) a succession plan for the CEO, senior management and the Board;
- (e) an initial assessment of, as well as a process to periodically evaluate, senior management to determine whether their knowledge and expertise are appropriate for the Bank’s strategy, complexity, and risk profile;
- (f) procedures to ensure the Bank complies with the requirements of 12 C.F.R. § 5.51 for changes in directors and senior executive officers, if applicable, as well as the restrictions in 12 C.F.R. part 359 for golden parachute payments, if applicable, and indemnification payments;

- (g) procedures to ensure the Bank maintains adequate internal controls and assigned accountability to monitor and hold management accountable for adherence to Bank policies and procedures;
- (h) procedures for the Board to engage an outside party to assist in the periodic evaluation of the size, composition, expertise, and independence of the Board, as well as individual Board member participation and contributions, with additions or other changes to the Board, as appropriate.

Refer to the “Corporate and Risk Governance” booklet of the *Comptroller’s Handbook* for guidance.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection to the Board Oversight and Corporate Governance Program or to any subsequent amendment to the Board Oversight and Corporate Governance Program, the Board shall immediately adopt, implement and thereafter monitor adherence to the Board Oversight and Corporate Governance Program. The Board shall review the effectiveness of the Board Oversight and Corporate Governance Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Board Oversight and Corporate Governance Program as needed or directed by the OCC. Any amendment to the Board Oversight and Corporate Governance Program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

## **ARTICLE XII**

### **INCENTIVE COMPENSATION**

- (1) Within thirty (30) days of the date of this Agreement, the Bank shall submit to the

Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Incentive Compensation Program. Refer to OCC Bulletin 2010-24, Interagency Guidance on Sound Incentive Compensation Policies.

- (2) The Incentive Compensation Program shall include, at a minimum:
  - (a) a prohibition against payment of excessive compensation, as defined in 12 C.F.R Part 30, Appendix A;
  - (b) safeguards to prevent the payment of incentive compensation to executive officers that is excessive or could lead to material financial loss;
  - (c) an initial comprehensive review of incentive compensation plans by the Board, and subsequent reviews no less frequently than annually thereafter;
  - (d) establishment of a written compensation plan that properly considers duties and responsibilities tailored to specific executive officers;
  - (e) an assessment of each officer's annual performance to ensure that proposed incentive compensation is commensurate with performance;
  - (f) a market analysis of similar executive officer positions and institution size to ensure incentive compensation plans are reasonable and proportionate to services rendered; and
  - (g) consideration of the Bank's ability to pay any proposed incentive compensation and the impact of such payments on the financial condition of the Bank.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Incentive Compensation Program or to any subsequent amendment to the program, the Board shall adopt and Bank management, subject

to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the program. The Board shall review the effectiveness of the program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the program as needed or directed by the OCC. Any amendment to the program must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

### **ARTICLE XIII**

#### **CAPITAL PLAN**

(1) Within ninety (90) days of the date of this Agreement, the Board shall adopt an effective internal capital planning process to assess the Bank's capital adequacy in relation to its overall risks and strategies. Thereafter, management shall implement, and the Board shall verify, no less than annually, adherence to the capital planning process. The capital planning process shall be consistent with safe and sound practices and ensure the integrity, objectivity, and consistency of the process through adequate governance. Refer to the "Capital and Dividends" booklet of the *Comptroller's Handbook*. The Board shall document the capital planning process and thereafter review and document the capital planning process at least annually or more frequently, if appropriate, or required by the Assistant Deputy Comptroller in writing.

(2) Within ninety (90) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable revised written capital plan for the Bank, consistent with the Strategic Plan required by Article X, covering at least a three-year timeframe ("Capital Plan"). Refer to "Capital and Dividends" booklet of the *Comptroller's Handbook* for guidance. The Bank's Capital Plan shall, at a minimum:

- (a) include specific plans for the achievement and ongoing maintenance of adequate capital;
  - (b) identify and evaluate all material risks;
  - (c) determine the Bank's capital needs in relation to material risks and strategic direction;
  - (d) identify and establish a strategy to maintain capital and strengthen capital if necessary and establish a contingency or back-up capital plan commensurate with the Bank's overall risk and complexity;
  - (e) incorporate available capital sources, confirm availability of capital sources, and establish thresholds for capital injection; and
  - (f) incorporate results of capital stress testing that provide for:
    - i. assumptions that reflect adequate severity;
    - ii. incorporation of the primary risks to the Bank, such as concentrations in non-owner-occupied commercial real estate, and reasonable loss assumptions; and
    - iii. inclusion of both high probability/low impact events and low probability/high impact events.
- (3) The Bank may declare or pay a dividend or make a capital distribution only:
- (a) when the Bank is in compliance with its Board-approved Capital Plan and would remain in compliance with such Capital Plan immediately following the declaration or payment of any dividend or capital distribution;
  - (b) when the dividend or capital distribution would comply with 12 U.S.C. §§

56, 60 and 1831o(d)(1) and 12 C.F.R. § 3.11(a)(4); and

(c) following the Assistant Deputy Comptroller's prior written determination of no supervisory objection to the dividend or capital distribution.

(4) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan or to any subsequent amendment to the Capital Plan, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and thereafter ensure adherence to the Capital Plan. The Board shall review the effectiveness of the Capital Plan at least annually, no later than January 31 each year, and more frequently if necessary or if required by the OCC in writing, and amend the Capital Plan as needed or directed by the OCC. Any amendment to the Capital Plan must be submitted to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection.

(5) At least quarterly, the Board shall review financial reports and earnings analyses that evaluate the Bank's performance against the goals and objectives established in the Capital Plan, as well as the Bank's written explanation of significant differences between the actual and projected balance sheet, income statement, and expense accounts, including a description of any extraordinary and/or nonrecurring items. This review shall include a description of the actions the Board and management will take to address any deficiencies. At least quarterly, management shall prepare, and the Board shall review, a written evaluation of the Bank's performance against the Capital Plan, which shall include a description of the actions the Board and management will take to address any deficiencies. The Board's quarterly reviews and written evaluations shall be documented in the Board meeting minutes. The Board shall forward a copy of these quarterly

reviews and Board meeting minutes to the Assistant Deputy Comptroller within thirty (30) days of completion of its quarterly written evaluations, respectively.

## **ARTICLE XIV**

### **LIQUIDITY RISK MANAGEMENT**

(1) Within sixty (60) days of the date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection an acceptable written Liquidity Risk Management Program (“Liquidity Program”) for the Bank. The Liquidity Program shall provide for the identification, measurement, monitoring, and control of the Bank’s liquidity risk exposure, and shall emphasize the importance of cash flow projections, diversified funding sources, a cushion of highly liquid assets, robust liquidity stress testing scenario analyses, and a formal, well-developed contingency funding plan as primary tools for measuring and managing liquidity risk. Refer to the “Interagency Policy Statement on Funding and Liquidity Risk Management,” dated March 22, 2010, (OCC Bulletin 2010-13); the “Addendum to the Interagency Policy Statement on Funding and Liquidity Risk Management: Importance of Contingency Funding Plans,” dated July 28, 2023, and the “Liquidity” booklet of the *Comptroller’s Handbook*, for guidance.

(2) In addition to the general requirements set forth above, the Bank’s Liquidity Program shall, at a minimum:

- (a) include appropriate policies and procedures for identifying, measuring, monitoring, and controlling liquidity risk exposures, that includes at a minimum:
  - i. assignment of accountability and processes for monitoring and managing intraday liquidity;

- ii. procedures to ensure that sufficient funds or access to funds exist to meet such cash flow needs under both expected and adverse conditions, including an adequate cushion to meet any unanticipated cash flow needs; and
  - iii. procedures and reporting to assess the risks related to deposit runoff, rollovers, wholesale, and alternative funding sources;
- (b) implement thresholds commensurate with bank condition, strategic objectives, and risk profile; and
  - (c) provide a plan of action to address liquidity exposures in non-compliance with Board-approved risk limits.

(3) Within thirty (30) days following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Liquidity Program, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the Liquidity Program and any amendments or revisions thereto.

(4) Within thirty (30) days of the beginning of each calendar quarter, Bank management shall prepare, subject to Board review and approval, a report identifying current liquidity requirements and sources for the quarter and projecting liquidity requirements and sources for the upcoming one year period ("Periodic Liquidity Report") to enable the Board to recognize longer-term liquidity needs. Copies of each Periodic Liquidity Report, and any Board comments, shall be forwarded to the Assistant Deputy Comptroller within thirty (30) days of the beginning of each calendar quarter.

(5) The Board shall review the effectiveness of the Liquidity Program at least annually, and more frequently if necessary or if required by the OCC in writing, and amend the Liquidity Program as needed or directed by the Assistant Deputy Comptroller in writing. The Bank shall submit the revised Liquidity Program to Assistant Deputy Comptroller for prior written determination of no supervisory objection. At the next Board meeting following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall adopt and Bank management, subject to Board review and ongoing monitoring, shall immediately implement and adhere to the revised Liquidity Program and any amendments or revisions thereto.

## **ARTICLE XV**

### **GENERAL BOARD RESPONSIBILITIES**

(1) The Board shall ensure that the Bank has timely adopted and implemented all corrective actions required by this Agreement, and shall verify that the Bank adheres to the corrective actions and they are effective in addressing the Bank's deficiencies that resulted in this Agreement.

(2) In each instance in which this Agreement imposes responsibilities upon the Board, it is intended to mean that the Board shall:

- (a) authorize, direct, and adopt corrective actions on behalf of the Bank as may be necessary to perform the obligations and undertakings imposed on the Board by this Agreement;
- (b) ensure that the Bank has sufficient processes, management, personnel, control systems, and corporate and risk governance to implement and adhere to all provisions of this Agreement;

- (c) require that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities pertaining to or resulting from this Agreement;
- (d) hold Bank management and personnel accountable for executing their duties and responsibilities pertaining to or resulting from this Agreement;
- (e) require appropriate, adequate, and timely reporting to the Board by Bank management of corrective actions directed by the Board to be taken under the terms of this Agreement; and
- (f) address any noncompliance with corrective actions in a timely and appropriate manner.

## **ARTICLE XVI**

### **OTHER PROVISIONS**

(1) As a result of this Agreement, pursuant to 12 C.F.R. § 5.51(c)(7)(ii), the Bank is in “troubled condition,” and is not an “eligible bank” for purposes of 12 C.F.R. § 5.3 or 12 C.F.R. § 24.2(e), unless otherwise informed in writing by the OCC.

(2) This Agreement supersedes all prior OCC communications issued pursuant to 12 C.F.R. §§ 5.3, 5.51(c)(7)(ii), and 24.2(e)(4).

## **ARTICLE XVII**

### **CLOSING**

(1) This Agreement is intended to be, and shall be construed to be, a “written agreement” within the meaning of 12 U.S.C. § 1818, and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. 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 officer, employee, or agent of the OCC 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, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(2) This Agreement is effective upon its issuance by the OCC, through the Comptroller's duly authorized representative. Except as otherwise expressly provided herein, all references to "days" in this Agreement shall mean calendar days and the computation of any period of time imposed by this Agreement shall not include the date of the act or event that commences the period of time.

(3) The provisions of this Agreement shall remain effective and enforceable except to the extent that, and until such time as, such provisions are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative. If the Bank seeks an extension, amendment, suspension, waiver, or termination of any provision of this Agreement, the Board or a Board-designee shall submit a written request to the Assistant Deputy Comptroller asking for the desired relief. Any request submitted pursuant to this paragraph shall include a statement setting forth in detail the special circumstances that warrant the desired relief or prevent the Bank from complying with the relevant provision(s) of the Agreement, and shall be accompanied by relevant supporting documentation. The OCC's

decision concerning a request submitted pursuant to this paragraph, which will be communicated to the Board in writing, is final and not subject to further review.

(4) The Bank will not be deemed to be in compliance with this Agreement until it has adopted, implemented, and adhered to all of the corrective actions set forth in each Article of this Agreement; the corrective actions are effective in addressing the Bank's deficiencies; and the OCC has verified and validated the corrective actions. An assessment of the effectiveness of the corrective actions requires sufficient passage of time to demonstrate the sustained effectiveness of the corrective actions.

(5) Each citation, issuance, or guidance referenced in this Agreement includes any subsequent citation, issuance, or guidance that replaces, supersedes, amends, or revises the referenced cited citation, issuance, or guidance.

(6) No separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Bank to enter into this Agreement.

(7) All reports, plans, or programs submitted to the OCC pursuant to this Agreement shall be forwarded, via Banknet, to the following:

Jay Branger  
Assistant Deputy Comptroller  
Minneapolis Office

(8) 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 as his duly authorized representative, has hereunto set his signature on behalf of the Comptroller.

/s/

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Jay Branger  
Assistant Deputy Comptroller  
Minneapolis Office

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of Minnstar Bank, National Association have hereunto set their signatures on behalf of the Bank.

/s/

3-12-24

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Cheri Clark-Stemig

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Date

/s/

3-12-24

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Paul D. Collis

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Date

/s/

3-12-24

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Gordon V. Kuznia

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Date

/s/

3/12/24

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Matthew W. Lantz

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Date

/s/

3/12/24

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Mark Monson

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Date

/s/

3/12/24

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Jordan Smith

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Date