



**Comptroller of the Currency
Administrator of National Banks**

Licensing Department
250 E Street, S.W.
Washington, D.C. 20219

**Conditional Approval #979
December 2010**

November 9, 2010

Mr. Mark T. Olson
President
The First National Bank of Starbuck
100 W. 5th Street
Starbuck, Minnesota 56381

Re: Application for Increase in Permanent Capital
CAIS Control No. 2010-WO-12-0052

Dear Mr. Olson:

The Office of the Comptroller of Currency (“OCC”) hereby conditionally approves the application by The First National Bank of Starbuck (the “Bank”) for an increase in permanent capital. This approval is granted after a thorough review of the application, other materials you have supplied, and other information available to the OCC, including commitments and representations made during the application process. This approval is also subject to the condition set out herein.

National banks are required to obtain OCC approval for increases in permanent capital. In its regulations, the OCC has established a notice process for certain approvals of increases in capital that involve only common stock and cash consideration. Under that process, the bank submits a notice of the increase in capital, and the proposed increase is deemed approved by the OCC and certified seven days after the date on which OCC received the notice. 12 C.F.R. § 5.46(i)(3). However, the regulation also provides that a national bank may not use this process but must follow the full application process and obtain prior OCC approval to increase its permanent capital if the bank is “[r]equired to receive OCC approval pursuant to letter, order, directive, written agreement or otherwise.” 12 C.F.R. § 5.46(g)(1)(i)(A).

The Bank is wholly-owned by Starbuck Bancshares, Inc. (“Bancshares”). Bancshares has entered a Plan and Agreement of Merger under which it will be acquired by SKBHC Holdings LLC (the “Company”). Upon consummation of the acquisition, the Company would own 100% of the stock of Bancshares and will indirectly acquire the Bank. The Company filed an application with the Board of Governors of the Federal Reserve System for approval to become a bank holding company and acquire Bancshares and the Bank.

The Company's plans for the Bank involve substantial expansion of the Bank's size and market area through acquisitions, including transactions with the Federal Deposit Insurance Corporation as receiver of failed banks. In light of the planned expansion, the OCC required the Bank to file an application under 12 C.F.R. § 5.46 for the first capital increase after the Company's acquisition of the Bank to provide a means for OCC review of the Company's business plans and management for the Bank and to impose conditions to help ensure safe and sound operations. The OCC notified the Bank of this decision by letter dated October 27, 2010.

Pursuant to the OCC's October 27, 2010, letter and the requirements of 12 C.F.R. § 5.46, the Bank applied to the OCC for prior approval for an increase in its capital surplus that would result from a capital injection by Bancshares after the Company acquires Bancshares. The OCC hereby approves the increase in capital, subject to the following condition:

The Bank shall enter into, and thereafter implement and adhere to, a written Operating Agreement with the OCC, in a form acceptable to the OCC, immediately after the Company's acquisition of Bancshares and the Bank.

This condition of approval is a condition "imposed in writing by a Federal banking agency in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818. As such, the condition is enforceable under 12 U.S.C. § 1818.

This conditional approval, and the activities and communications by OCC employees in connection with the filings, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. Our approval is based on the representations made in the applications, other submissions, and other information available to the OCC as of this date. The OCC may modify, suspend, or rescind this conditional approval if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions concerning this letter or the application process under 12 C.F.R. § 5.46, please contact Senior Licensing Analyst Yoo Jin Na at 202-874-5060.

Sincerely,

signed

Beverly L. Evans
Director for Licensing Activities