**FEDERAL DEPOSIT INSURANCE CORPORATION**
**WASHINGTON, D.C.**

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| **In the Matter of** | ) | |
| | ) | **CONSENT ORDER** |
| **PATRIOT BANK MINNESOTA** | ) | |
| **WYOMING, MINNESOTA** | ) | **FDIC-10-476b** |
| | ) | |
| **(Insured State Nonmember Bank)** | ) | |

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Patriot Bank Minnesota("Bank"), under 12 U.S.C. § 1813(q).

The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated September 9, 2010, that is accepted by the FDIC. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or violations of law and/or regulations described in the FDIC April 4, 2010 Report of Examination ("Report of Examination"), to the issuance of this Consent Order ("ORDER") by the FDIC.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC hereby orders that:

**1. Qualified Management.**

(a) Within 90 days from the effective date of this ORDER, and annually thereafter while the ORDER is effect, the Bank's board of directors shall assess the Executive Officers of the Bank as defined in Regulation O, 12 C.F.R. Section 215.2(e)(1), to determine whether the Bank has an appropriate number and type of Executive Officers with the requisite knowledge, skills, ability, and experience, giving consideration to the size and complexity of the Bank, to operate the Bank in a safe and sound manner, and in compliance with applicable laws and regulation, and restore the Bank to a satisfactory financial condition. In the event the board identifies any deficiencies in the executive Officers, the board shall develop a Management Plan within 30 days to remedy such deficiency.

(b) A copy of the Board's assessment and any Plan shall be submitted to Regional Director of the FDIC Kansas City Region ("Regional Director") and the Minnesota Commissioner of the Department of Commerce (collectively "Supervisory Authorities"), for review and comment. Within 30 days from receipt of any comment from the Regional Director and after consideration of all such comments, the Board shall approve its findings, assessments, Management Plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Management

Plan and any modifications thereto. It shall remain the responsibility of the Board to fully implement the plan within the specified time frames. In the event the plan, or any portion thereof, is not implemented, the Board shall immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan.

**2. Maintenance of Allowance for Loan and Lease Losses (“ALLL”).**

(a) Within 10 days from the effective date of this ORDER, and within 10 days of receipt of future reports of examination from either of the Supervisory Authorities, the Board shall make a provision which will replenish the allowance for loan and lease losses (“ALLL”) for the loans charged off as a result of the most recent internal loan review or in the most recent report of examination and reflect the potential for further losses in the remaining loans or leases classified “Substandard” or “Doubtful,” as well as all other loans and leases in its portfolio.

(b) A deficiency in the Bank’s ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank’s submission of its Call Report. The Board shall thereafter maintain an appropriate ALLL.

**3. Minimum Capital Requirements.**

(a) While this ORDER is in effect, the Bank shall have and maintain the following minimum capital ratios (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate ALLL:

(i) Tier 1 Leverage Capital Ratio at least equal to 9 percent; and

(ii) Total Risk-Based Capital Ratio at least equal to 11 percent.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank shall immediately notify the Supervisory Authorities and within 30 days shall: (1) increase capital in an amount sufficient to comply with subparagraph (a) of this provision, or (2) submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth above, as well as a contingency plan in the event the primary sources of capital are not available. Thereafter at the next Board meeting, the Board shall approve the written plan and record such approval in its minutes, and the Bank shall implement and fully comply with the written plan.

(c) Any increase in Tier 1 leverage capital necessary to meet the requirements of this section may not be accomplished through a deduction from the ALLL.

**4. Restrictions on Dividends, Management Fees, and Consultant's Fees.**

While this ORDER is in effect, the Bank shall not declare or pay any dividends or pay any management fees without the prior written approval of the Supervisory Authorities.

**5. Charge-off of Adversely Classified Assets.**

(a) Within 10 days of the effective date of this ORDER and within 10 days after receipt of any future reports of examination by either of the Supervisory Authorities, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the Report of Examination or such future reports of examination that have not been previously collected or charged off.

(b) Elimination or reduction of assets through the proceeds of other loans or extensions of credit made by the Bank is not considered collection for purposes of this ORDER.

**6. <u>Restrictions on Advances to Adversely Classified Borrowers</u>.**

(a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or adversely classified “Substandard” or "Doubtful" in the Report of Examination and is uncollected, or classified “Substandard” or “Doubtful” in any future reports of examination by either of the Supervisory Authorities and is uncollected. The requirements of this subparagraph (a) shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Subparagraph (a) of this provision shall not apply if the Bank’s failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this subparagraph (b), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, who shall conclude:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank’s position, with an explanatory statement of why the Bank’s position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(c) The conclusions and approval made pursuant to subparagraph (b) of this provision shall be made a part of the minutes of the meeting of the Board at which the extension of credit is approved, with a copy retained in the borrower’s credit file.

**7. Reduction of Adversely Classified Assets.**

(a) Within 90 days from the effective date of this ORDER and within 90 days after receipt of any future reports of examination issued by either of the Supervisory Authorities, the Bank shall develop and complete a written plan to reduce the Bank’s risk exposure in each asset in excess of $200,000 classified “Substandard” or “Doubtful” in the Report of Examination or such future reports of examination. For purposes of this provision, “reduce” means to collect, charge off, or improve the quality of an asset so as to warrant its removal from such adverse classification.

(b) In developing the plans mandated by this paragraph, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including sources of repayment and repayment ability, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank’s collateral position.

(c) The plans mandated by this provision shall include, at a minimum, the following:

(i) specific action plans intended to reduce the Bank’s risk exposure in each classified asset;

(ii) a requirement that monthly written progress reports be submitted to the Board; and

(iii) a requirement that the Board review the progress reports and record with a notation of the review in the minutes of the Board meetings at which such reports are reviewed.

(d) The Board shall approve the plans, which approval shall be recorded in the minutes of the meeting of the Board for the meeting at which such plans are approved. Thereafter, a copy of the plan or portion thereof that pertains to a specific borrower shall be maintained in the borrower’s credit file, and the Bank shall implement and fully comply with the plan.

**8. Concentrations of Credit.**

(a) Within 60 days from the effective date of this ORDER, the Bank shall develop a written plan for systematically reducing and monitoring the Bank’s portfolio of loans, securities, or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers as listed in the Concentrations section of the Report of Examination, to an amount which is commensurate with the Bank’s business strategy, management expertise, size, and location (“Concentration Plan”). At a minimum, the Concentration Plan shall include:

(i) dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) provisions for the submission of monthly written progress reports to the Board for review and notation in the Board’s minutes; and

(iv) procedures for monitoring the Bank’s compliance with the Concentration Plan.

(b) The Bank shall submit the Concentration Plan and any modifications thereto, to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the Concentration Plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the Concentration Plan.

(c) The Bank shall not make any new extensions or commitments of credit to or for the benefit of any borrower or associated entities so long as such extension or commitment would result in the Bank exceeding any limit contained in the Concentration Plan.

(d) Subparagraph (c) of this provision shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this subparagraph (d), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, who shall conclude:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank's position, with an explanatory statement of why the Bank's position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(e) The conclusions and approval made pursuant to subparagraph (d) of this provision shall be made a part of the minutes of the meeting of the Board at which the extension of credit is approved, with a copy retained in the borrower's credit file.

**9. <u>Loan Review Program</u>.**

(a) Within 60 days of the effective date of this ORDER, the Board shall develop a written program of independent loan review that will provide for a periodic review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the written program shall provide for:

(i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) identification of trends affecting the quality of the loan portfolio and potential problem areas;

(iii) assessment of the overall quality of the loan portfolio;

(iv) identification of credit and collateral documentation exceptions;

(v) identification and status of any potential violations of laws, rules, or regulations with respect to the lending function and action taken to address such potential violations;

(vi) identification of loans that are not in conformance with the Bank’s lending policy or other applicable Bank plans and policies;

(vii) identification of loans to directors, officers, principal shareholders, and their related interests; and

(viii) periodic written reports, but in no event less than quarterly, providing the information developed in (i) through (vii) above to the Board. The reports should also describe the action(s) taken by management with respect to each problem credit.

(b) The written program shall be provided to the Supervisory Authorities, and shall be approved by the Board. Such approval shall be recorded in the minutes of the Board and thereafter, the Bank shall implement the written program.

(c) Upon implementation, a copy of each report submitted to the Board, as well as documentation of the actions taken by the Bank or recommendations to the Board that address identified deficiencies in specific loan relationships or the Bank's policies, procedures, strategies, or other elements of the Bank's lending activities, as well as any resulting determinations, shall be provided to the Supervisory Authorities and recorded and retained in the Board's minutes.

**10. Liquidity.**

(a) Within 30 days from the effective date of this ORDER, the Bank shall prepare a written liquidity analysis and projection for the sources and uses of funds, including but not limited to the following:

*Sources:*

(i) listing of loans available for participation or sale and a list of committed purchasers;

(ii) listing of and projected pay offs or pay downs of loans;

(iii) specific listing of all funding sources and borrowings and level of commitments/availability;

(iv) projection and breakdown of deposit growth from non-brokered deposits and sources;

*Uses:*

(v) listing and timing of contractually binding loan commitments that are expected to be funded;

(vi) projections for known maturities of anticipated brokered deposit withdrawals;

(vii) projections, including best and worse case scenarios, of large public/private deposit withdrawals;

*Projections and Contingency Plans:*

(viii) projections for curtailing loan growth and shrinking the total asset size of the Bank; and,

(ix) specific contingency plans in the event that anticipated events do not materialize, or in case of some other liquidity emergency.

(b) The written analysis and projection required by subparagraph (a) of this provision above shall be reviewed for viability by Bank management on a weekly basis, and updated as necessary.

**11. Business/Strategic Plan and Profit and Budget Plan.**

(a) Within 90 days from the effective date of this ORDER and within 60 days after the beginning of each calendar year, the Board shall develop and fully implement a written three-year business/strategic plan and one-year profit and budget plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank’s other written plans, policies, or other actions as required by this ORDER.

(b) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components, including projected salaries and bonuses.

(c) The Board shall approve the business/ strategic plan and the profit and budget plan, which approval shall be recorded in the Board’s minutes. Thereafter, the business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities, and the Bank shall implement and fully comply with the plans.

**12. Disclosure of ORDER to Shareholder.**

Following the effective date of this ORDER, the Bank shall provide a copy of this ORDER to its sole shareholder, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

**13. <u>Progress Reports Detailing Compliance with ORDER</u>.**

(a) Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within 45 days of the end of each calendar quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

## MISCELLANEOUS

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC.

Issued Pursuant to Delegated Authority

Dated this _29th_ day of __September___, 2010.

By:

/s/
Mark S. Moylan
Deputy Regional Director