

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

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In the Matter of	)	
	)	CONSENT ORDER
NORTHERN STAR BANK	)	
MANKATO, MINNESOTA	)	FDIC-10-738b
	)	
(Insured State Nonmember Bank)	)	
_____	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for the Northern Star Bank, Mankato, 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 February 16, 2011 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 regulation, 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 the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. **Current Status of Amounts Owed to and from the Holding Company.** Within 30 days of the effective date of this ORDER, the Bank's board of directors ("Board") shall determine the status of amounts owed as of March 31, 2010, by the Bank to its affiliated holding company, Northern Star Financial ("Holding Company"), and by the Holding Company owed to the Bank, and properly document and record those amounts in its books and records and Board minutes, and report them to the Regional Director for the FDIC Kansas City Region ("Regional Director"), as required herein below.

2. **Holding Company Policy.** Within 30 days of the effective date of this ORDER, the Bank shall prepare and submit to the Regional Director a proposed written policy setting forth the standards and procedures to be followed, particularly the written documentation required, in connection with any matter that relates to, or involves, the Holding Company ("Holding Company Policy"). The fundamental purpose of the Holding Company Policy is to require the Bank to have timely written documentation and timely and appropriate accounting entries for covered transactions illustrating the Bank's compliance with Sections 23A and 23B of the Federal Reserve Act, 12 U.S.C. §§ 371c and 371-c-1. Nothing in this ORDER shall be construed as to require the Bank to violate Sections 23A and/or 23B. At a

minimum, the Holding Company Policy shall contain provisions that comply with the following:

(a) Reimbursement of Fees or Expenses of the Bank paid by or on behalf of the Bank by the Holding Company. The Bank shall not directly or indirectly reimburse the Holding Company for any fees or expenses paid on the Bank's behalf unless the Bank had agreed in writing to reimburse the Holding Company prior to the time the specific fees or expenses were paid. Prior to entering into such written agreement, the Board shall document in its minutes the Board's approval of the agreement, the reasons the Bank is not directly contracting for such specific fees or expenses, and the reasons such specific fees or expenses and such reimbursement are in the best interest of the Bank.

(b) Use of the same service provider by the Bank and the Holding Company. In the event the Bank and the Holding Company use the same service provider, the Bank shall require a separate bill itemizing the services provided to or on behalf of the Bank.

(c) Monthly Analysis, Payments, and Reimbursements. The Bank shall perform a monthly analysis of all transactions, commencing March 31, 2010 going forward, for amounts identified as possibly paid by the Bank for the benefit of the Holding Company and any known amounts paid by the Holding Company for

the benefit of the Bank and reconcile these payments so that if the Holding Company owes the Bank any balance, the Bank shall seek immediate reimbursement, and in the event the Bank appears to owe the Holding Company any amount, it is reflected in the Bank's books and records according a proper accounting standards.

(d) Regional Director Review and Comment. The Holding Company Policy shall be submitted to the Regional Director for review and comment. No more than 30 days after receipt of any comment from the Regional Director and after consideration of any such comments, the Board shall approve the Holding Company Policy, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and comply with the Holding Company Policy.

**3. Previous Holding Company Agreements**. To the extent there is an existing agreement between the Bank and the Holding Company regarding payment of each other's expenses that is inconsistent with the requirements of this ORDER and the Bank's proposed Holding Company Policy, the Bank shall cause that agreement to be amended as necessary for compliance with this ORDER, or the Bank shall rescind and terminate that agreement.

4. **Previous Order to Cease and Desist.** Nothing in this ORDER terminates, amends, or modifies the outstanding FDIC Order to Cease and Desist issued against the Bank on July 24, 2009, FDIC-09-288b. That Cease and Desist Order remains in full force and effect.

5. **Disclosure of Order to Sole Shareholder.** Within 30 days after the effective date of this ORDER, the Bank shall provide to its sole shareholder a copy of this ORDER.

6. **Progress Reports Detailing Compliance with ORDER.**

(a) **Written Progress Reports Identifying Covered Transactions.** Within 30 days of the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Regional Director 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 and actions toward achieving compliance with each provision of the ORDER, including at a minimum:

(i) descriptions of the identified weaknesses and deficiencies and the applicable corrective requirements of the ORDER;

(ii) actions taken or in-process for addressing each of the deficiencies;

(iii) results of the corrective actions taken, including a list of all expenses or transactions affecting the relationship of the Bank and the Holding Company, the Board's review of the transactions, the documented Board action taken regarding such transactions, and how such transactions were or are to be recorded in the Bank's books and records; and,

(iv) the appropriate supporting documentation.

(b) Board Approval. Prior to submission, the written Progress Reports shall reviewed and approved by the Bank's board of directors, which approval shall be documented in board's minutes. Each approved Progress Report shall be signed by the Bank's president and all of the directors approving the Progress Report.

**7. Miscellaneous.** 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. Nothing contained in this ORDER should be construed to excuse the Bank from the requirements to maintain complete and accurate records with respect to the Bank's business and operations. 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. 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: February 28, 2011

By:

/s/ \_\_\_\_\_  
Mark S. Moylan  
Deputy Regional Director  
Kansas City Regional Office