

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between
NORTHERN STAR FINANCIAL, INC.
Mankato, Minnesota
and
FEDERAL RESERVE BANK OF
MINNEAPOLIS
Minneapolis, Minnesota

Docket No. 09-116-WA/RB-HC

WHEREAS, Northern Star Financial, Inc., Mankato, Minnesota (“NSFI”), a registered bank holding company, owns and controls Northern Star Bank, Mankato, Minnesota (the “Bank”), a state chartered nonmember bank;

WHEREAS, it is the common goal of NSFI and the Federal Reserve Bank of Minneapolis (the “Reserve Bank”) to maintain the financial soundness of NSFI so that NSFI may serve as a source of strength to the Bank;

WHEREAS, NSFI and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on August 26, 2009, the board of directors of NSFI, at a duly constituted meeting, adopted a resolution authorizing and directing Thomas Stienessen to enter into this Agreement on behalf of NSFI, and consenting to compliance with each and every provision of this Agreement by NSFI and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, NSFI and the Reserve Bank agree as follows:

Dividends and Distributions

1. (a) NSFI shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors of the Federal Reserve System (the “Board of Governors”).

(b) NSFI shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) NSFI shall not make any distributions of interest, principal, or other sums on subordinated debentures without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed distribution on subordinated debentures. All requests shall contain, at a minimum, current and projected information on NSFI’s capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed distribution. For requests to declare or pay dividends, NSFI must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors’ Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

2. (a) NSFI shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) NSFI shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Affiliate Transactions

3. (a) NSFI shall immediately take all necessary actions to ensure that the Bank complies with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Bank and its affiliates, including but not limited to NSFI.

(b) NSFI shall not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act or Regulation W of the Board of Governors.

(c) NSFI shall not directly or indirectly take funds from the Bank, including but not limited to, payment of NSFI's salaries, professional fees, or other expenses, without the prior written approval of the Reserve Bank.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed effective date of the transaction and shall be accompanied by documentation adequate to provide the Reserve Bank with the details of each proposed transaction, including a description of the proposed benefit to the Bank. For requests for prior approval, NSFI must also demonstrate how the proposed transaction is consistent with relevant

supervisory guidance, including, but not limited to the Board of Governor's guidance on Diversion of Bank Income by Parent BHC, dated March 19, 1979 (SR 79-533).

Compliance with Laws and Regulations

4. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, NSFI shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) NSFI shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

5. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

6. All communications regarding this Agreement shall be sent to:

(a) Diann Townsend
Assistant Vice President
Federal Reserve Bank of Minneapolis
90 Hennepin Avenue
Minneapolis, MN 55401-1804

- (b) Thomas Stienessen
President
Northern Star Financial, Inc.
1650 Madison Avenue
Mankato, Minnesota 56001

Miscellaneous

7. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to NSFI to comply with any provision of this Agreement.

8. The provisions of this Agreement shall be binding upon NSFI and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

9. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

10. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting NSFI, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

11. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 8th day of September, 2009.

NORTHERN STAR FINANCIAL, INC.

FEDERAL RESERVE BANK
OF MINNEAPOLIS

By: /s/ Thomas Stienessen
Thomas Stienessen
President

By: /s/ James M. Barnes
James M. Barnes
Vice President