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Lake Marion: 20151 Icenic Trail, Lakeville MN 55044 ■ (612) 469-1600

April 5, 2000

Top Hat Plan Exemption  
Pension and Welfare Benefits Administration  
Room N-5644  
US Department of Labor  
200 Constitution Avenue, NW  
Washington DC 20216

RE: New Market Bank Performance Share Plan

Dear Sir/Madam:

Pursuant to the provisions of Department of Labor regulations at 29 C.F.R. § 2520.104-23, you are hereby notified that the employer named in item (1) below maintains a plan or plans (as identified in item (2) below) primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees. Item (3) below sets forth the approximate number of participants in the plan as of the date of this letter.

Item (1): New Market Bank, 461 Main Street, PO Box P, New Market, Minnesota 55054  
EIN#: 41-0257135

Item (2): #001 New Market Bank Performance Share Plan

Item (3): Plan Number                      Number of Participants


001

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Kindly acknowledge receipt of this filing by signing and returning to the sender the copy of this letter enclosed herewith for acknowledgement purposes. A stamped, self-addressed envelope is also enclosed for your convenience.

Very truly yours,

NEW MARKET BANK

  
Robert Vogel  
President

1. Purpose of the Plan

The purpose of this Plan is to further the long-term growth in earnings of Market Bancorporation (Company) and New Market Bank ("Bank") by offering long-term incentives in addition to current compensation to those officers and key employees of the Bank who will be largely responsible for such growth.

2. Administration of the Plan

The Plan shall be administered by the President of the Bank (the "President"). The President, while serving as such shall not be eligible for participation in the Plan.

Subject to the provisions of the Plan, the President shall have the exclusive power to select the employees to be granted Performance Shares, to determine the number of Performance Shares to be granted to each employee selected, to determine the time or times when Performance Shares will be granted, to determine that all participants shall be of a single class or to divide participants into different classes, and to determine the time or times, and the conditions, subject to which any awards may become payable.

Decisions and determinations by the President shall be final and binding upon all parties, including shareholders, participants, and other employees. The President shall have the authority to interpret the Plan, to establish and revise rules and regulations relating to the Plan, and to make any other determinations that it believes necessary or advisable for the administration of the Plan.

3. Participation

Individual participants in the Plan shall be selected by the President from key executive employees of the Bank. The term "employee" shall mean any person (including any officer) employed by the Bank on a salaried basis and no employee shall be excluded because he is also a Director of such Bank.

Nothing in this agreement is meant to change the status of the employee as an employee at will.

An employee may be granted more than one award of Performance Shares under this Plan, but no employee may be granted, in the aggregate, more than 25% of the maximum number of Performance Shares available for award under this Plan.

4. Performance Shares

Awards under this Plan shall be granted to a participant in the form of Performance Shares, which shall be credited to a Performance Share Account to be maintained for such participant. Each Performance Share shall be deemed to be equivalent in value to one share of Common Stock of Market Bancorporation. The award of Performance Shares under the Plan shall not entitle the recipient to any dividend or voting rights or any other rights of a shareholder with respect to such Performance Shares.

The value of the performance unit will vest ratably with 1/5 vesting at the end of each plan year, which shall be the same as the employer year, over five years and will increase or decrease in value based on the pro rata share of total book value as defined in Section 9. The unit of participation will vest immediately if there is a change in control as defined in Section 9 and be equal to the lower of the actual sales price per share or book value multiplied by a premium of 1.5.

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The maximum number of Performance Shares that may be awarded under the Plan shall not exceed an aggregate of 1,000. If any Performance Shares awarded under the Plan shall be forfeited or cancelled, such Performance Shares may again be awarded under the Plan.

**5. Right to Payment of Performance Shares**

A participant shall have no right to receive payment for any part of his Performance Shares and all of his Performance Shares shall be forfeited unless he remains in the employment of the Bank at all times from the date of grant of the award through: the vesting date as defined in Section 4; normal retirement date; death; or total disability, whichever may come earlier.

The President may, if in the opinion of the President circumstances warrant such action, approve payment of any or all of Performance Shares which would otherwise be forfeited as a result of a participant failing to remain in the employment of the Bank for the required period.

**6. Form and Timing of Payment**

No payments will be made to participants until retirement (age 65) (except in the case of termination of employment through death, a change in control as defined in Section 9 or under such circumstances as the President deems acceptable). Payments shall be made to the holder of Performance Shares wholly in cash.

**7. "Dividend Equivalent Right"**

The performance share plan will include dividend equivalent rights. Consequently the amount that is equal to the dividend declared on the actual per share of Market Bancorporation stock will be credited to the employee account for each performance share unit credited to his account as of each dividend record date. The payment and vesting of the dividend equivalent amount will be subject to the same terms and conditions governing the payment and vesting of performance shares credited to the employee's account. There will be no return on credited dividends.

**8. Dilution and Other Adjustments**

In the event of any change in the outstanding shares of Common Stock of Market Bancorporation by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares or other similar corporate change, then if the President shall determine, in his sole discretion, that such change equitably requires an adjustment in the number or kind of Performance Shares then held in participant's Performance Share Accounts, or which may be awarded to any one employee, or an adjustment in any measures of performance, such adjustments shall be made by the President and shall be conclusive and binding for all purposes of the Plan.

**9. Miscellaneous Provisions**

- A. An employee's rights and interests under the Plan may not be assigned or transferred. In the case of an employee's death, payment of Performance Shares due under this Plan shall be made to his designated beneficiary, or in the absence of such beneficiary, by will or the laws of descent and distribution.

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- B. No employee or other person shall have any claim or right to be granted an award under this Plan. Neither this Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Bank.
- C. The Bank shall have the right to deduct from all awards paid in cash any taxes required by law to be withheld with respect to such cash awards and to require payment from employee for any taxes required to be withheld from non-cash awards.
- D. As used in this Plan, the following terms shall have the following meanings:

"Total disability" means complete and permanent inability by reason of illness or accident to perform the duties of the occupation at which a participant was employed by the Bank when such disability commenced. All determinations as to the date and extent of disability of any participant shall be made by the President, upon the basis of such evidence, as the President deems necessary and desirable.

"Book Value" of the Company shall be equal to the sum of the balances, determined as of the Determination Date, in the Company's Balance Sheet for its capital stock, its surplus, and its undivided profits (including year-to-date earnings after provision for income taxes but excluding (i) the net unrealized loss or gain on securities classified as available for sale and (ii) the federal or state deferred tax asset or liability associated with the unrealized gain or loss on securities classified as available for sale,

Actions that would cause the forfeiture of performance shares shall include, but not be limited to, the following:

- i. Conduct by an Executive that is materially detrimental to the Bank's business reputation or goodwill;
- ii. Any dishonesty in dealing between Executive and the Bank or between Executive and the Bank's vendors, advisors, other employees, or customers;
- iii. Executive's active use of alcohol or controlled substances in a manner that impairs Executive's ability to perform his/her duties.
- iv. Executive's refusal to comply with the Bank's directives, rules, regulations, or policies;
- v. Executive's violation of any material provision of this Agreement;
- vi. If Executive is convicted, pleads guilty, or enters a plea of *nolo contendere* of any crime punishable as a felony or any other crime involving moral turpitude or immoral conduct; and
- vii. Employee's failure to substantially perform his/her material duties, which failure is not cured within sixty (60) days after Employee's receipt of written notice from the Bank's Chairman of the Board of Directors specifying the non-performance.

"Change of Control" The Bank is a majority owned subsidiary of Market Bancorporation ("Company"), a Minnesota business corporation registered as a bank holding company pursuant to the Bank Holding Company Act of 1956, as amended. For purposes of this Agreement, "Change of Control" shall mean any of the following events occurring after the date of this agreement:

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- i. A merger, consolidation, stock sale, stock exchange, or other reorganization to which the Bank or the Company is a party if:
  - a. The individuals and entities who were shareholders of the Company immediately prior to the effective date of such merger or consolidation; and
  - b. Any family member of Robert Vogel including his spouse, lineal descendants, the spouse of his lineal descendants, and any trust for the benefit of any of the above (the "Vogel Family");
  - c. Collectively own, immediately following the effective date of such merger or consolidation less than fifty percent (50%) of the total combined voting power of all classes of securities issued by the surviving corporation for the election of directors of the surviving corporations;
- ii. The sale of the properties and assets of the Bank substantially as an entirety, to any person or entity other than the Vogel Family.

**10. Cancellation of Performance Shares**

In addition to cancellation by forfeiture as a result of failure to complete the requisite period of employment, the President may cancel the Performance Shares of an employee if the employee is terminated for reasons or actions listed Section 9. In the event of any cancellation, all rights of the former holder of such cancelled Performance Shares in respect of such cancelled Shares shall terminate, and such Shares shall be available for further grant in accordance with the Plan.

**11. Amendments and Termination**

The President may at any time terminate this Plan or amend it to change the time of grant of awards and the length of award periods with respect to awards not theretofore granted, provided that no such action shall adversely affect any right or obligation with respect to any award theretofore granted.

The right to grant awards under this Plan shall terminate automatically at the close of business on December 31, 2010, or upon the granting of awards equaling the maximum authorized under the Plan, whichever shall occur first, and, thereafter, the function of the President will be limited to supervising the administration of awards previously granted.

**12. Reporting**

Within 45 days after each year end any employee holding performance share units will receive a statement which will show the number of performance units held by the employee and the vested and non-vested value of the units.

**13. Effective Date of the Plan**

The Plan shall be effective as of December 31, 1999.



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New Market, MN 55054



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