

2520140933317

U.S. DEPT. OF LABOR
PUBLIC RELATIONS DIVISION
05 JUL 27 PM 3:37

~~4~~-13, 200~~4~~⁵

Top Hat Plan Exemption
Pension and Welfare Benefits Administration
Room N 5644
U.S. Department of Labor
200 Constitution Avenue N.W.
Washington, D.C. 20210

Dear Sir or Madam:

Pursuant to Department of Labor Regulation 2520.104 23, the following information is being provided regarding a nonqualified Performance Driven Plan sponsored by our organization for a select group of management or highly compensated employees.

1. Name of the employer: Prime Security Bank
2. Mailing address of the employer: 201 S Main St, Karlstad, MN 56732
3. Employer's Federal Identification Number (EIN): 41-0346243
4. Number of plans maintained: 1
5. Number of participants: 2
6. Date plan was implemented: 6-9-05

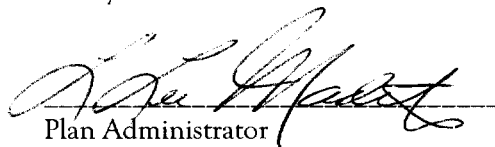
We will provide plan documents upon request in accordance with ERISA Section 104(a)(1).

Please contact us if you have any questions on any of the above information.

Sincerely,

Prime Security Bank

By:


Plan Administrator

**PRIME SECURITY BANK
EXECUTIVE INCENTIVE RETIREMENT AGREEMENT**

THIS AGREEMENT is adopted this 10 day of June, 2005, by and between PRIME SECURITY BANK, a state-chartered commercial bank located in Karlstad, Minnesota (the "Company"), and DAVID KRAUSE (the "Executive").

INTRODUCTION

To encourage the Executive to remain an employee of the Company, the Company is willing to provide to the Executive a deferred incentive opportunity. The Company will distribute the benefits from the Company's general assets.

AGREEMENT

The Executive and the Company agree as follows:

**Article 1
Definitions**

Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1 "*Beneficiary*" means each designated person, or the estate of the deceased Executive, entitled to benefits, if any, upon the death of the Executive determined pursuant to Article 6.

1.2 "*Beneficiary Designation Form*" means the form established from time to time by the Plan Administrator that the Executive completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.3 "*Change in Control*" means a change in the ownership or effective control of a corporation, or in the ownership of a substantial portion of the assets of the corporation, as such change is defined

- (i) in Section 280G of the Code and regulations thereunder; or
- (ii) if more restrictive, in Section 409A of the Code and regulations thereunder.

1.4 "*Code*" means the Internal Revenue Code of 1986, as amended.

1.5 "*Disability*" means the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12

months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Executive's employer. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees of the Executive's employer. Upon the request of the Plan Administrator, the Executive must submit proof to the Plan Administrator of Social Security Administration's or the provider's determination.

1.6 "*Normal Retirement Age*" means the Executive's 65th birthday.

1.7 "*Plan Administrator*" means the plan administrator described in Article 10.

1.8 "*Plan Year*" means the calendar year.

1.9 "*Return On Assets*" means the Company's after-tax net income at the end of the most recent fiscal year, before distribution of any common stock dividends and adjusted for extraordinary items, divided by the Company's average assets for the same fiscal year, as determined by the Company's independent auditor based upon certified financial statements for the pertinent year.

1.10 "*Secretary*" means the Secretary of the United States Department of the Treasury.

1.11 "*Separation from Service*" means that the Executive's service, either as an employee or independent contractor, to the Company or any member of a controlled group to which the Company belongs, has terminated for any reason, other than by reason of a leave of absence approved by the Company.

Article 2 Incentive Award

2.1 *Award Criteria.* In order for the Executive to be eligible to receive an Incentive Award, the following two criteria must be met:

- (1) The Executive must meet the Individual Performance Goals set forth on the chart attached as Exhibit 1. If the Executive meets both Individual Performance Goals, the Executive will be eligible for 100 percent of the Return on Assets ("ROA") award amount determined under Section 2.1(2); if the Executive meets one Individual Performance Goal, the Executive will be eligible for 50 percent of the ROA award amount determined under Section 2.1(2); if the Executive meets no Individual Performance Goals, the Executive will not be eligible for an Incentive Award;

and

- (2) The Company must meet its ROA goal set forth on the chart attached as Exhibit 2.

For example, if the Executive has met both Individual Performance Goals for Plan Year 1, and the Company's ROA is above one percent (1%) during that Plan Year, the Executive will have satisfied both Award Criteria and be eligible to receive an Incentive Award for that Plan Year.

2.2 Award Amount. If the Executive has met the Award Criteria set forth in Section 2.1, the ROA percentage determined as of December 31 of each Plan Year shall determine the Executive's Incentive Award in accordance with the chart detailed in Exhibit 2. The chart is specifically subject to change at the sole discretion of the Plan Administrator; provided, however, in the event the Plan Administrator exercises such discretion and changes the chart, the Plan Administrator shall notify the Executive within thirty (30) days of the effective date of such change. Each Incentive Award shall be credited to the Deferral Account as of December 31 of the Plan Year for which the award is made.

Using the information from Section 2.1 and a \$50,000 salary as an example, the following calculation shall demonstrate the Executive's Incentive Award Amount:

Plan Year 1 ROA		1.26%
Percentage of Salary with 1.26% ROA		5.00%
		5.00%
Executive's Salary	x	\$50,000
Incentive Award Amount	=	\$2,500

2.3 Incentive Deferral. On December 31 of each Plan Year, the Company shall declare and accrue the Incentive Award to the Deferral Account.

Article 3 Deferral Account

3.1 Establishing and Crediting. The Company shall establish a Deferral Account on its books for the Executive, and shall credit to the Deferral Account the following amounts:

3.1.1 Deferrals. The Incentive Deferral as determined under Article 2.

3.1.2 Interest. On December 31 of each Plan Year and immediately prior to the distribution of any benefits, interest shall be credited to the account balance since the preceding credit under this Section 3.1.2, if any, at an annual rate determined by the Plan Administrator in its sole discretion, compounded monthly. The initial interest rate shall be equal to the one year certificate of deposit yield offered by the Company as of January 1, 2005.

3.2 *Statement of Accounts.* The Company shall provide to the Executive, within 120 days after the end of each Plan Year this Agreement is in effect, a statement setting forth the Deferral Account balance.

3.3 *Accounting Device Only.* The Deferral Account is solely a device for measuring amounts to be distributed under this Agreement. The Deferral Account is not a trust fund of any kind. The Executive is a general unsecured creditor of the Company for the distribution of benefits. The benefits represent the mere Company promise to distribute such benefits. The Executive's rights are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by the Executive's creditors.

Article 4 Distributions During Lifetime

4.1 *Normal Retirement Benefit.* Upon Normal Retirement Age, the Company shall distribute to the Executive the benefit described in this Section 4.1 in lieu of any other benefit under this Agreement.

4.1.1 *Amount of Benefit.* The benefit under this Section 4.1 is the Deferral Account balance at the Executive's Normal Retirement Age.

4.1.2 *Distribution of Benefit.* The Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following the Executive's Normal Retirement Age. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period. Upon a change in the interest rate, benefit distributions will be recalculated annually.

4.2 *Early Termination Benefit.* Upon Separation from Service prior to the Normal Retirement Age for reasons other than death, Change in Control, or Disability, the Company shall distribute to the Executive the benefit described in this Section 4.2 in lieu of any other benefit under this Agreement.

4.2.1 *Amount of Benefit.* The benefit under this Section 4.2 is the Deferral Account balance at the Executive's Separation from Service, subject to the following vesting schedule:

End of Plan Year	Vested Percentage
1	10%
2	20%
3	30%
4	40%

5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

4.2.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within one year following Separation from Service. If Separation from Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.3 *Disability Benefit.* If the Executive terminates employment due to Disability prior to the Normal Retirement Age, the Company shall distribute to the Executive the benefit described in this Section 4.3 in lieu of any other benefit under this Agreement.

4.3.1 *Amount of Benefit.* The benefit under this Section 4.3 is the Deferral Account balance at the Executive's Separation from Service.

4.3.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within 90 days following Separation from Service. If Separation from Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.4 *Change in Control Benefit.* Upon Separation of Service following a Change in Control, the Company shall distribute to the Executive the benefit described in this Section 4.4 in lieu of any other benefit under this Agreement.

4.4.1 *Amount of Benefit.* The benefit under this Section 4.4 is the Deferral Account balance at the Executive's Separation from Service, plus an amount that when added to the Deferral Account Balance, the resulting total amount would not exceed 2.99 times the Executive's average salary for the five years previous to Separation from Service.

4.4.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within 90 days following Separation from Service. If Separation from

Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.5 *Restriction on Timing of Distribution.* Notwithstanding any provision of this Agreement to the contrary, if the Company is publicly-traded on an established exchange or otherwise, and if the Executive is considered a “key employee,” as defined in Section 416(i) of the Code, distribution under Sections 4.2, 4.4 or 9.2(a) may not commence earlier than 6 months after the date of Separation from Service.

Article 5

Distributions at Death

5.1 *Death During Active Service.* If the Executive dies while in the active service of the Company, the Company shall distribute to the Beneficiary the benefit described in this Section 5.1 in lieu of any benefits under Article 4.

5.1.1 *Amount of Benefit.* The benefit under Section 5.1 is the greater of: a) the Deferral Account balance; or b) Five Hundred Thousand Dollars (\$500,000).

5.1.2 *Distribution of Benefit.* The Company shall distribute the benefit to the Beneficiary in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following the Executive’s death.

5.2 *Death During Distribution of a Benefit.* If the Executive dies after any benefit distributions have commenced under this Agreement but before receiving all such distributions, the Company shall distribute the remaining benefits to the Beneficiary at the same time and in the same amounts they would have been distributed to the Executive had the Executive survived.

5.3 *Death After Separation from Service But Before Distribution of a Benefit Commences.* If the Executive is entitled to a benefit under this Agreement, but dies prior to the commencement of said benefit distributions, the Company shall distribute the same benefit distributions to the Beneficiary that the Executive was entitled to prior to death except that the benefit distributions shall commence on the first day of the month following the date of the Executive’s death.

Article 6

Beneficiaries

6.1 *Beneficiary Designation.* The Executive shall have the right, at any time, to designate a Beneficiary(ies) to receive any benefit distributions under this Agreement upon the death of the Executive. The Beneficiary designated under this Agreement may be the same as or different

from the beneficiary designation under any other benefit plan of the Company in which the Executive participates.

6.2 *Beneficiary Designation: Change.* The Executive shall designate a Beneficiary by completing and signing the Beneficiary Designation Form, and delivering it to the Plan Administrator or its designated agent. The Beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved. The Executive shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Executive and accepted by the Plan Administrator prior to the Executive's death.

6.3 *Acknowledgment.* No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

6.4 *No Beneficiary Designation.* If the Executive dies without a valid beneficiary designation, or if all designated Beneficiaries predecease the Executive, then the Executive's spouse shall be the designated Beneficiary. If the Executive has no surviving spouse, the benefits shall be made to the personal representative of the Executive's estate. If the benefits are made to the personal representative of the Executive's estate, the Company shall have the option of distributing the benefits in a lump sum.

6.5 *Facility of Distribution.* If the Plan Administrator determines in its discretion that a benefit is to be distributed to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such distribution amount.

Article 7 General Limitations

7.1 *Termination for Cause.* Notwithstanding any provision of this Agreement to the contrary, the Company shall not distribute any benefit under this Agreement if the Company terminates the Executive's employment for:

- (a) Gross negligence or gross neglect of duties to the Company;

- (b) Conviction of a felony or of a gross misdemeanor involving moral turpitude in connection with the Executive's employment with the Company;
- (c) Fraud, disloyalty, dishonesty or willful violation of any law or significant Company policy committed in connection with the Executive's employment and resulting in an adverse effect on the Company; or
- (d) Issuance of an order for removal of the Executive by the Company's banking regulators.

7.2 *Suicide or Misstatement.* The Company shall not distribute any benefit under this Agreement if the Executive commits suicide within three years after the date of this Agreement. In addition, the Company shall not distribute any benefit under this Agreement if the Executive has made any material misstatement of fact on an employment application or resume provided to the Company, or on any application for any benefits provided by the Company to the Executive.

7.3 *Competition After Separation from Service.* The Company shall not distribute any benefit under this Agreement if the Executive, within 24 months following Separation from Service, without the prior written consent of the Company, engages in, becomes interested in, directly or indirectly, as a sole proprietor, as a partner in a partnership, or as a substantial shareholder in a corporation, or becomes associated with, in the capacity of employee, director, officer, principal, agent, trustee or in any other capacity whatsoever, any enterprise conducted in the trading area (a 25 mile radius of the Company or any of its affiliates or subsidiaries) of the business of the Company, which enterprise is, or may be deemed to be, competitive with any business carried on by the Company as of the date of termination of the Executive's employment or retirement. This section shall not apply following a Change in Control. If the Executive violates the provisions of this Section 7.3, the Company shall have the right to sue the Executive to recover any benefits distributed under the Agreement.

7.4 *No Withdrawal Election.* Except as expressly provided herein, the Executive may not elect, at any time, to withdraw any portion of the Deferral Account balance.

Article 8 Claims and Review Procedures

8.1 *Claims Procedure.* Any person or entity who has not received benefits under this Agreement that he or she believes should be distributed ("claimant") shall make a claim for such benefits as follows:

8.1.1 *Initiation – Written Claim.* The claimant initiates a claim by submitting to the Company a written claim for the benefits.

8.1.2 *Timing of Company Response.* The Company shall respond to such claimant within 90 days after receiving the claim. If the Company determines that special circumstances require additional time for processing the claim, the Company can extend the response period by an additional 90 days by notifying the claimant in writing, prior to the

end of the initial 90-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Company expects to render its decision.

8.1.3 *Notice of Decision.* If the Company denies part or all of the claim, the Company shall notify the claimant in writing of such denial. The Company shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial,
- (b) A reference to the specific provisions of this Agreement on which the denial is based,
- (c) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why it is needed,
- (d) An explanation of this Agreement's review procedures and the time limits applicable to such procedures, and
- (e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

8.2 *Review Procedure.* If the Company denies part or all of the claim, the claimant shall have the opportunity for a full and fair review by the Company of the denial, as follows:

8.2.1 *Initiation – Written Request.* To initiate the review, the claimant, within 60 days after receiving the Company's notice of denial, must file with the Company a written request for review.

8.2.2 *Additional Submissions – Information Access.* The claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Company shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

8.2.3 *Considerations on Review.* In considering the review, the Company shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

8.2.4 *Timing of Company Response.* The Company shall respond in writing to such claimant within 60 days after receiving the request for review. If the Company determines that special circumstances require additional time for processing the claim, the Company can extend the response period by an additional 60 days by notifying the claimant in writing, prior to the end of the initial 60-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Company expects to render its decision.

8.2.5 *Notice of Decision.* The Company shall notify the claimant in writing of its decision on review. The Company shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial,
- (b) A reference to the specific provisions of this Agreement on which the denial is based,
- (c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits, and
- (d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

Article 9 Amendments and Termination

9.1 *Amendment.* The Company can amend this Agreement at any time with respect to the Executive, by action of its Board. However, no such amendment shall change any right or benefit to which the Executive or Beneficiary has become entitled under Articles 4 or 5.

9.2 *Termination.* The Company reserves the right to terminate the Agreement at any time with respect to the Executive, by action of its Board. Upon such termination, the Deferral Account balance shall be distributed to the Executive in a lump sum within thirty (30) days following the earlier of:

- (a) Separation from Service;
- (b) Death;
- (c) Such time as permitted by the Secretary under regulations issued pursuant to Section 409A of the Code.

Article 10 Administration of Agreement

10.1 *Plan Administrator Duties.* This Agreement shall be administered by a Plan Administrator which shall consist of such committee or person(s) as the Board shall appoint. The Plan Administrator shall also have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Agreement and (ii) decide or resolve any and all questions including interpretations of this Agreement, as may arise in connection with the Agreement.

10.2 *Agents.* In the administration of this Agreement, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a

duly appointed representative), and may from time to time consult with counsel who may be counsel to the Company.

10.3 *Binding Effect of Decisions.* The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of the Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon the Executive and all persons having any interest in the Agreement.

10.4 *Indemnity of Plan Administrator.* The Company shall indemnify and hold harmless the members of the Plan Administrator against any and all claims, losses, damages, expenses, or liabilities arising from any action or failure to act with respect to this Agreement, except in the case of willful misconduct by the Plan Administrator or any of its members.

10.5 *Company Information.* To enable the Plan Administrator to perform its functions, the Company shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of the Executive, the date and circumstances of the retirement, Disability, death, or Separation from Service of the Executive, and such other pertinent information as the Plan Administrator may reasonably require.

Article 11 Miscellaneous

11.1 *Binding Effect.* This Agreement shall bind the Executive and the Company, and their beneficiaries, survivors, executors, successors, administrators and transferees.

11.2 *No Guarantee of Employment.* This Agreement is not a contract for employment. It does not give the Executive the right to remain an employee of the Company, nor does it interfere with the Company's right to discharge the Executive. It also does not require the Executive to remain an employee nor interfere with the Executive's right to separate from service at any time.

11.3 *Non-Transferability.* Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached or encumbered in any manner.

11.4 *Tax Withholding.* The Company shall withhold any taxes that are required to be withheld from the benefits provided under this Agreement. Further, Deferrals made under this Agreement will be reported to the IRS on the Executive's W-2 form, in accordance with applicable Code sections.

11.5 *Applicable Law.* The Agreement and all rights hereunder shall be governed by the laws of the State of Minnesota, except to the extent preempted by the laws of the United States of America.

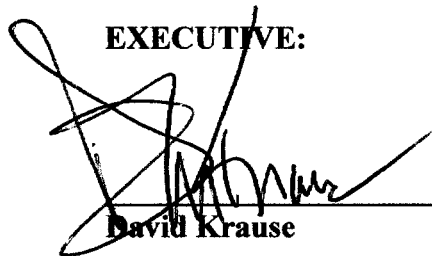
11.6 *Unfunded Arrangement.* The Executive and beneficiary are general unsecured creditors of the Company for the distribution of benefits under this Agreement. The benefits represent the mere promise by the Company to distribute such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors. Any insurance on the Executive's life is a general asset of the Company to which the Executive and beneficiary have no preferred or secured claim.

11.7 *Reorganization.* The Company shall not merge or consolidate into or with another company, or reorganize, or sell substantially all of its assets to another company, firm, or person unless such succeeding or continuing company, firm, or person agrees to assume and discharge the obligations of the Company under this Agreement. Upon the occurrence of such event, the term "Company" as used in this Agreement shall be deemed to refer to the successor or survivor company.

11.8 *Entire Agreement.* This Agreement constitutes the entire agreement between the Company and the Executive as to the subject matter hereof. No rights are granted to the Executive by virtue of this Agreement other than those specifically set forth herein.

IN WITNESS WHEREOF, the Executive and a duly authorized Company officer have signed this Agreement.

EXECUTIVE:



David Krause

COMPANY:

PRIME SECURITY BANK

By 

Title CEO

EXHIBIT 1

PRIME SECURITY BANK EXECUTIVE INCENTIVE RETIREMENT AGREEMENT

Individual Performance Goals for Year 2005

Date 6-14-05

Executive DAVID M. KRAUSE

Plan Administrator L. LEE MAOETZKE

GOALS:

Manage and provide the board of directors information in the following areas;

- Capital
- Liquidity
- Net Interest Margin
- Asset/Liability
- Interest Rate Risk
- Compliance
- Internal Audit
- Bank Security
- Information Security
- Efficiency Ratio

To manage in achieving goals established in the 2005 Strategic Plan;

Financial: Achieve a ROA of 1.30% and ROE of 15%
 Maintain Capital at a "well capitalized" status
 Maintain Liquidity over 10%
 Realize a NIM of 4.50% or greater
 Net Income after tax equivalent of \$1,000,000

Balance Sheet: Loan growth of 32.4%/\$20,680,000
 Deposit growth of 17%/\$11,700,000
 Past Due's less than 2%
 Classified Loan/Adjusted Capital less than 15%

EXHIBIT 2

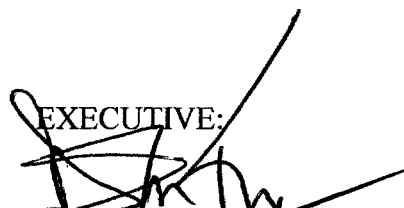
**PRIME SECURITY BANK
EXECUTIVE INCENTIVE RETIREMENT AGREEMENT**

David Krause

RETURN ON ASSETS

If ROA is From	To	Bonus (as percentage of salary)
1.00	1.24	2.5%
1.25	1.39	5.0%
1.40	1.49	7.5%
1.50	+	10.0%

The above chart is specifically subject to change at the sole discretion of the Plan Administrator; provided, however, in the event the Plan Administrator exercises such discretion and changes the above chart, the Plan Administrator shall notify the Executive within thirty (30) days of the effective date of such change.

EXECUTIVE:


David Krause
Date: 6/10/05

Received and acknowledged:

COMPANY:

PRIME SECURITY BANK

By  _____

Print Name: L. LEE MADETZKE

Print Title: CEO

Date: 6/10/05

BENEFICIARY DESIGNATION FORM

PRIME SECURITY BANK EXECUTIVE INCENTIVE RETIREMENT AGREEMENT

David Krause

I, David M Krause, designate the following as beneficiary of benefits to be distributed under the Agreement following my death:

Primary: <u>Leslie Krause</u>	<u>100</u> %
_____	_____ %
Contingent: <u>Emily Krause</u>	<u>50</u> %
<u>Lindsey Krause</u>	<u>50</u> %

Notes:

- Please **PRINT CLEARLY** or **TYPE** the names of the beneficiaries.
- To name a trust as beneficiary, please provide the name of the trustee(s) and the exact name and date of the trust agreement.
- To name your estate as beneficiary, please write "Estate of [your name]".
- Be aware that none of the contingent beneficiaries will receive anything unless ALL of the primary beneficiaries predecease you.

I understand that I may change these beneficiary designations by delivering a new written designation to the Plan Administrator, which shall be effective only upon receipt and acknowledgment by the Plan Administrator prior to my death. I further understand that the designations will be automatically revoked if the beneficiary predeceases me, or, if I have named my spouse as beneficiary and our marriage is subsequently dissolved.

Name: David M Krause

Signature: [Signature]

Date: 6/10/05

SPOUSAL CONSENT (Required if Spouse not named beneficiary):

I consent to the beneficiary designation above, and acknowledge that if I am named beneficiary and our marriage is subsequently dissolved, the designation will be automatically revoked.

Spouse Name: _____

Signature: _____ Date: _____

Received by the Plan Administrator this 10 day of JUNE, 2005

By: [Signature]

Title: CEO

**PRIME SECURITY BANK
EXECUTIVE INCENTIVE RETIREMENT AGREEMENT**

THIS AGREEMENT is adopted this 9 day of June, 2005, by and between PRIME SECURITY BANK, a state-chartered commercial bank located in Karlstad, Minnesota (the "Company"), and STEVE BLUM (the "Executive").

INTRODUCTION

To encourage the Executive to remain an employee of the Company, the Company is willing to provide to the Executive a deferred incentive opportunity. The Company will distribute the benefits from the Company's general assets.

AGREEMENT

The Executive and the Company agree as follows:

**Article 1
Definitions**

Whenever used in this Agreement, the following words and phrases shall have the meanings specified:

1.1 "*Beneficiary*" means each designated person, or the estate of the deceased Executive, entitled to benefits, if any, upon the death of the Executive determined pursuant to Article 6.

1.2 "*Beneficiary Designation Form*" means the form established from time to time by the Plan Administrator that the Executive completes, signs, and returns to the Plan Administrator to designate one or more Beneficiaries.

1.3 "*Change in Control*" means a change in the ownership or effective control of a corporation, or in the ownership of a substantial portion of the assets of the corporation, as such change is defined

- (i) in Section 280G of the Code and regulations thereunder; or
- (ii) if more restrictive, in Section 409A of the Code and regulations thereunder.

1.4 "*Code*" means the Internal Revenue Code of 1986, as amended.

1.5 "*Disability*" means the Executive (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12

months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Executive's employer. Medical determination of Disability may be made by either the Social Security Administration or by the provider of an accident or health plan covering employees of the Executive's employer. Upon the request of the Plan Administrator, the Executive must submit proof to the Plan Administrator of Social Security Administration's or the provider's determination.

1.6 "*Normal Retirement Age*" means the Executive's 65th birthday.

1.7 "*Plan Administrator*" means the plan administrator described in Article 10.

1.8 "*Plan Year*" means the calendar year.

1.9 "*Return On Assets*" means the Company's after-tax net income at the end of the most recent fiscal year, before distribution of any common stock dividends and adjusted for extraordinary items, divided by the Company's average assets for the same fiscal year, as determined by the Company's independent auditor based upon certified financial statements for the pertinent year.

1.10 "*Secretary*" means the Secretary of the United States Department of the Treasury.

1.11 "*Separation from Service*" means that the Executive's service, either as an employee or independent contractor, to the Company or any member of a controlled group to which the Company belongs, has terminated for any reason, other than by reason of a leave of absence approved by the Company.

Article 2 Incentive Award

2.1 *Award Criteria.* In order for the Executive to be eligible to receive an Incentive Award, the following two criteria must be met:

- (1) The Executive must meet the Individual Performance Goals set forth on the chart attached as Exhibit 1. If the Executive meets both Individual Performance Goals, the Executive will be eligible for 100 percent of the Return on Assets ("ROA") award amount determined under Section 2.1(2); if the Executive meets one Individual Performance Goal, the Executive will be eligible for 50 percent of the ROA award amount determined under Section 2.1(2); if the Executive meets no Individual Performance Goals, the Executive will not be eligible for an Incentive Award;

and

- (2) The Company must meet its ROA goal set forth on the chart attached as Exhibit 2.

For example, if the Executive has met both Individual Performance Goals for Plan Year 1, and the Company's ROA is above one percent (1%) during that Plan Year, the Executive will have satisfied both Award Criteria and be eligible to receive an Incentive Award for that Plan Year.

2.2 *Award Amount.* If the Executive has met the Award Criteria set forth in Section 2.1, the ROA percentage determined as of December 31 of each Plan Year shall determine the Executive's Incentive Award in accordance with the chart detailed in Exhibit 2. The chart is specifically subject to change at the sole discretion of the Plan Administrator; provided, however, in the event the Plan Administrator exercises such discretion and changes the chart, the Plan Administrator shall notify the Executive within thirty (30) days of the effective date of such change. Each Incentive Award shall be credited to the Deferral Account as of December 31 of the Plan Year for which the award is made.

Using the information from Section 2.1 and a \$50,000 salary as an example, the following calculation shall demonstrate the Executive's Incentive Award Amount:

Plan Year 1 ROA		1.26%
Percentage of Salary with 1.26% ROA		5.00%
		5.00%
Executive's Salary	x	\$50,000
Incentive Award Amount	=	\$2,500

2.3 *Incentive Deferral.* On December 31 of each Plan Year, the Company shall declare and accrue the Incentive Award to the Deferral Account.

Article 3 Deferral Account

3.1 *Establishing and Crediting.* The Company shall establish a Deferral Account on its books for the Executive, and shall credit to the Deferral Account the following amounts:

3.1.1 *Deferrals.* The Incentive Deferral as determined under Article 2.

3.1.2 *Interest.* On December 31 of each Plan Year and immediately prior to the distribution of any benefits, interest shall be credited to the account balance since the preceding credit under this Section 3.1.2, if any, at an annual rate determined by the Plan Administrator in its sole discretion, compounded monthly. The initial interest rate shall be equal to the one year certificate of deposit yield offered by the Company as of January 1, 2005.

3.2 *Statement of Accounts.* The Company shall provide to the Executive, within 120 days after the end of each Plan Year this Agreement is in effect, a statement setting forth the Deferral Account balance.

3.3 *Accounting Device Only.* The Deferral Account is solely a device for measuring amounts to be distributed under this Agreement. The Deferral Account is not a trust fund of any kind. The Executive is a general unsecured creditor of the Company for the distribution of benefits. The benefits represent the mere Company promise to distribute such benefits. The Executive's rights are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by the Executive's creditors.

Article 4
Distributions During Lifetime

4.1 *Normal Retirement Benefit.* Upon Normal Retirement Age, the Company shall distribute to the Executive the benefit described in this Section 4.1 in lieu of any other benefit under this Agreement.

4.1.1 *Amount of Benefit.* The benefit under this Section 4.1 is the Deferral Account balance at the Executive's Normal Retirement Age.

4.1.2 *Distribution of Benefit.* The Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following the Executive's Normal Retirement Age. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period. Upon a change in the interest rate, benefit distributions will be recalculated annually.

4.2 *Early Termination Benefit.* Upon Separation from Service prior to the Normal Retirement Age for reasons other than death, Change in Control, or Disability, the Company shall distribute to the Executive the benefit described in this Section 4.2 in lieu of any other benefit under this Agreement.

4.2.1 *Amount of Benefit.* The benefit under this Section 4.2 is the Deferral Account balance at the Executive's Separation from Service, subject to the following vesting schedule:

End of Plan Year	Vested Percentage
1	10%
2	20%
3	30%
4	40%

5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

4.2.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within one year following Separation from Service. If Separation from Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.3 *Disability Benefit.* If the Executive terminates employment due to Disability prior to the Normal Retirement Age, the Company shall distribute to the Executive the benefit described in this Section 4.3 in lieu of any other benefit under this Agreement.

4.3.1 *Amount of Benefit.* The benefit under this Section 4.3 is the Deferral Account balance at the Executive's Separation from Service.

4.3.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within 90 days following Separation from Service. If Separation from Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.4 *Change in Control Benefit.* Upon Separation of Service following a Change in Control, the Company shall distribute to the Executive the benefit described in this Section 4.4 in lieu of any other benefit under this Agreement.

4.4.1 *Amount of Benefit.* The benefit under this Section 4.4 is the Deferral Account balance at the Executive's Separation from Service, plus an amount that when added to the Deferral Account Balance, the resulting total amount would not exceed 2.99 times the Executive's average salary for the five years previous to Separation from Service.

4.4.2 *Distribution of Benefit.* If Separation from Service occurs within ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in a lump sum within 90 days following Separation from Service. If Separation from

Service occurs more than ten years after the date of this Agreement, the Company shall distribute the benefit to the Executive in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following Separation from Service. The Company shall continue to credit interest pursuant to Section 3.1.2 on the remaining account balance during any applicable installment period.

4.5 *Restriction on Timing of Distribution.* Notwithstanding any provision of this Agreement to the contrary, if the Company is publicly-traded on an established exchange or otherwise, and if the Executive is considered a "key employee," as defined in Section 416(i) of the Code, distribution under Sections 4.2, 4.4 or 9.2(a) may not commence earlier than 6 months after the date of Separation from Service.

Article 5

Distributions at Death

5.1 *Death During Active Service.* If the Executive dies while in the active service of the Company, the Company shall distribute to the Beneficiary the benefit described in this Section 5.1 in lieu of any benefits under Article 4.

5.1.1 *Amount of Benefit.* The benefit under Section 5.1 is the greater of: a) the Deferral Account balance; or b) Five Hundred Thousand Dollars (\$500,000).

5.1.2 *Distribution of Benefit.* The Company shall distribute the benefit to the Beneficiary in 120 consecutive, roughly equal monthly installments commencing on the first day of the month following the Executive's death.

5.2 *Death During Distribution of a Benefit.* If the Executive dies after any benefit distributions have commenced under this Agreement but before receiving all such distributions, the Company shall distribute the remaining benefits to the Beneficiary at the same time and in the same amounts they would have been distributed to the Executive had the Executive survived.

5.3 *Death After Separation from Service But Before Distribution of a Benefit Commences.* If the Executive is entitled to a benefit under this Agreement, but dies prior to the commencement of said benefit distributions, the Company shall distribute the same benefit distributions to the Beneficiary that the Executive was entitled to prior to death except that the benefit distributions shall commence on the first day of the month following the date of the Executive's death.

Article 6

Beneficiaries

6.1 *Beneficiary Designation.* The Executive shall have the right, at any time, to designate a Beneficiary(ies) to receive any benefit distributions under this Agreement upon the death of the Executive. The Beneficiary designated under this Agreement may be the same as or different

from the beneficiary designation under any other benefit plan of the Company in which the Executive participates.

6.2 *Beneficiary Designation: Change.* The Executive shall designate a Beneficiary by completing and signing the Beneficiary Designation Form, and delivering it to the Plan Administrator or its designated agent. The Beneficiary designation shall be deemed automatically revoked if the Beneficiary predeceases the Executive or if the Executive names a spouse as Beneficiary and the marriage is subsequently dissolved. The Executive shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Plan Administrator's rules and procedures, as in effect from time to time. Upon the acceptance by the Plan Administrator of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be cancelled. The Plan Administrator shall be entitled to rely on the last Beneficiary Designation Form filed by the Executive and accepted by the Plan Administrator prior to the Executive's death.

6.3 *Acknowledgment.* No designation or change in designation of a Beneficiary shall be effective until received, accepted and acknowledged in writing by the Plan Administrator or its designated agent.

6.4 *No Beneficiary Designation.* If the Executive dies without a valid beneficiary designation, or if all designated Beneficiaries predecease the Executive, then the Executive's spouse shall be the designated Beneficiary. If the Executive has no surviving spouse, the benefits shall be made to the personal representative of the Executive's estate. If the benefits are made to the personal representative of the Executive's estate, the Company shall have the option of distributing the benefits in a lump sum.

6.5 *Facility of Distribution.* If the Plan Administrator determines in its discretion that a benefit is to be distributed to a minor, to a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Plan Administrator may direct distribution of such benefit to the guardian, legal representative or person having the care or custody of such minor, incompetent person or incapable person. The Plan Administrator may require proof of incompetence, minority or guardianship as it may deem appropriate prior to distribution of the benefit. Any distribution of a benefit shall be a distribution for the account of the Executive and the Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Agreement for such distribution amount.

Article 7 General Limitations

7.1 *Termination for Cause.* Notwithstanding any provision of this Agreement to the contrary, the Company shall not distribute any benefit under this Agreement if the Company terminates the Executive's employment for:

- (a) Gross negligence or gross neglect of duties to the Company;

- (b) Conviction of a felony or of a gross misdemeanor involving moral turpitude in connection with the Executive's employment with the Company;
- (c) Fraud, disloyalty, dishonesty or willful violation of any law or significant Company policy committed in connection with the Executive's employment and resulting in an adverse effect on the Company; or
- (d) Issuance of an order for removal of the Executive by the Company's banking regulators.

7.2 *Suicide or Misstatement.* The Company shall not distribute any benefit under this Agreement if the Executive commits suicide within three years after the date of this Agreement. In addition, the Company shall not distribute any benefit under this Agreement if the Executive has made any material misstatement of fact on an employment application or resume provided to the Company, or on any application for any benefits provided by the Company to the Executive.

7.3 *Competition After Separation from Service.* The Company shall not distribute any benefit under this Agreement if the Executive, within 24 months following Separation from Service, without the prior written consent of the Company, engages in, becomes interested in, directly or indirectly, as a sole proprietor, as a partner in a partnership, or as a substantial shareholder in a corporation, or becomes associated with, in the capacity of employee, director, officer, principal, agent, trustee or in any other capacity whatsoever, any enterprise conducted in the trading area (a 25 mile radius of the Company or any of its affiliates or subsidiaries) of the business of the Company, which enterprise is, or may be deemed to be, competitive with any business carried on by the Company as of the date of termination of the Executive's employment or retirement. This section shall not apply following a Change in Control. If the Executive violates the provisions of this Section 7.3, the Company shall have the right to sue the Executive to recover any benefits distributed under the Agreement.

7.4 *No Withdrawal Election.* Except as expressly provided herein, the Executive may not elect, at any time, to withdraw any portion of the Deferral Account balance.

Article 8 Claims and Review Procedures

8.1 *Claims Procedure.* Any person or entity who has not received benefits under this Agreement that he or she believes should be distributed ("claimant") shall make a claim for such benefits as follows:

8.1.1 *Initiation – Written Claim.* The claimant initiates a claim by submitting to the Company a written claim for the benefits.

8.1.2 *Timing of Company Response.* The Company shall respond to such claimant within 90 days after receiving the claim. If the Company determines that special circumstances require additional time for processing the claim, the Company can extend the response period by an additional 90 days by notifying the claimant in writing, prior to the

end of the initial 90-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Company expects to render its decision.

8.1.3 *Notice of Decision.* If the Company denies part or all of the claim, the Company shall notify the claimant in writing of such denial. The Company shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial,
- (b) A reference to the specific provisions of this Agreement on which the denial is based,
- (c) A description of any additional information or material necessary for the claimant to perfect the claim and an explanation of why it is needed,
- (d) An explanation of this Agreement's review procedures and the time limits applicable to such procedures, and
- (e) A statement of the claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination on review.

8.2 *Review Procedure.* If the Company denies part or all of the claim, the claimant shall have the opportunity for a full and fair review by the Company of the denial, as follows:

8.2.1 *Initiation – Written Request.* To initiate the review, the claimant, within 60 days after receiving the Company's notice of denial, must file with the Company a written request for review.

8.2.2 *Additional Submissions – Information Access.* The claimant shall then have the opportunity to submit written comments, documents, records and other information relating to the claim. The Company shall also provide the claimant, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits.

8.2.3 *Considerations on Review.* In considering the review, the Company shall take into account all materials and information the claimant submits relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

8.2.4 *Timing of Company Response.* The Company shall respond in writing to such claimant within 60 days after receiving the request for review. If the Company determines that special circumstances require additional time for processing the claim, the Company can extend the response period by an additional 60 days by notifying the claimant in writing, prior to the end of the initial 60-day period that an additional period is required. The notice of extension must set forth the special circumstances and the date by which the Company expects to render its decision.

8.2.5 *Notice of Decision.* The Company shall notify the claimant in writing of its decision on review. The Company shall write the notification in a manner calculated to be understood by the claimant. The notification shall set forth:

- (a) The specific reasons for the denial,
- (b) A reference to the specific provisions of this Agreement on which the denial is based,
- (c) A statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant (as defined in applicable ERISA regulations) to the claimant's claim for benefits, and
- (d) A statement of the claimant's right to bring a civil action under ERISA Section 502(a).

Article 9 Amendments and Termination

9.1 *Amendment.* The Company can amend this Agreement at any time with respect to the Executive, by action of its Board. However, no such amendment shall change any right or benefit to which the Executive or Beneficiary has become entitled under Articles 4 or 5.

9.2 *Termination.* The Company reserves the right to terminate the Agreement at any time with respect to the Executive, by action of its Board. Upon such termination, the Deferral Account balance shall be distributed to the Executive in a lump sum within thirty (30) days following the earlier of:

- (a) Separation from Service;
- (b) Death;
- (c) Such time as permitted by the Secretary under regulations issued pursuant to Section 409A of the Code.

Article 10 Administration of Agreement

10.1 *Plan Administrator Duties.* This Agreement shall be administered by a Plan Administrator which shall consist of such committee or person(s) as the Board shall appoint. The Plan Administrator shall also have the discretion and authority to (i) make, amend, interpret and enforce all appropriate rules and regulations for the administration of this Agreement and (ii) decide or resolve any and all questions including interpretations of this Agreement, as may arise in connection with the Agreement.

10.2 *Agents.* In the administration of this Agreement, the Plan Administrator may employ agents and delegate to them such administrative duties as it sees fit, (including acting through a

duly appointed representative), and may from time to time consult with counsel who may be counsel to the Company.

10.3 *Binding Effect of Decisions.* The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation, and application of the Agreement and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon the Executive and all persons having any interest in the Agreement.

10.4 *Indemnity of Plan Administrator.* The Company shall indemnify and hold harmless the members of the Plan Administrator against any and all claims, losses, damages, expenses, or liabilities arising from any action or failure to act with respect to this Agreement, except in the case of willful misconduct by the Plan Administrator or any of its members.

10.5 *Company Information.* To enable the Plan Administrator to perform its functions, the Company shall supply full and timely information to the Plan Administrator on all matters relating to the compensation of the Executive, the date and circumstances of the retirement, Disability, death, or Separation from Service of the Executive, and such other pertinent information as the Plan Administrator may reasonably require.

Article 11 Miscellaneous

11.1 *Binding Effect.* This Agreement shall bind the Executive and the Company, and their beneficiaries, survivors, executors, successors, administrators and transferees.

11.2 *No Guarantee of Employment.* This Agreement is not a contract for employment. It does not give the Executive the right to remain an employee of the Company, nor does it interfere with the Company's right to discharge the Executive. It also does not require the Executive to remain an employee nor interfere with the Executive's right to separate from service at any time.

11.3 *Non-Transferability.* Benefits under this Agreement cannot be sold, transferred, assigned, pledged, attached or encumbered in any manner.

11.4 *Tax Withholding.* The Company shall withhold any taxes that are required to be withheld from the benefits provided under this Agreement. Further, Deferrals made under this Agreement will be reported to the IRS on the Executive's W-2 form, in accordance with applicable Code sections.

11.5 *Applicable Law.* The Agreement and all rights hereunder shall be governed by the laws of the State of Minnesota, except to the extent preempted by the laws of the United States of America.

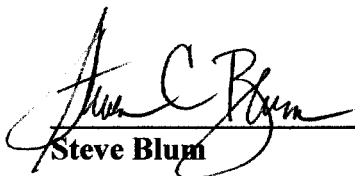
11.6 *Unfunded Arrangement.* The Executive and beneficiary are general unsecured creditors of the Company for the distribution of benefits under this Agreement. The benefits represent the mere promise by the Company to distribute such benefits. The rights to benefits are not subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment by creditors. Any insurance on the Executive's life is a general asset of the Company to which the Executive and beneficiary have no preferred or secured claim.

11.7 *Reorganization.* The Company shall not merge or consolidate into or with another company, or reorganize, or sell substantially all of its assets to another company, firm, or person unless such succeeding or continuing company, firm, or person agrees to assume and discharge the obligations of the Company under this Agreement. Upon the occurrence of such event, the term "Company" as used in this Agreement shall be deemed to refer to the successor or survivor company.

11.8 *Entire Agreement.* This Agreement constitutes the entire agreement between the Company and the Executive as to the subject matter hereof. No rights are granted to the Executive by virtue of this Agreement other than those specifically set forth herein.

IN WITNESS WHEREOF, the Executive and a duly authorized Company officer have signed this Agreement.

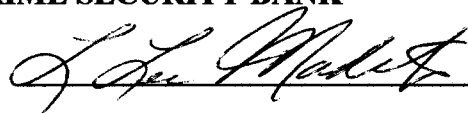
EXECUTIVE:



Steve Blum

COMPANY:

PRIME SECURITY BANK

By 

Title CEO

BENEFICIARY DESIGNATION FORM

PRIME SECURITY BANK EXECUTIVE INCENTIVE RETIREMENT AGREEMENT

Steve Blum

I, STEVEN C. BLUM, designate the following as beneficiary of benefits to be distributed under the Agreement following my death:

Primary: <u>KIMBERLY C BLUM</u>	<u>100</u> %	<i>Spouse</i>
	___ %	
Contingent: <u>NICHOLAS S. BLUM, KELSEY J. BLUM,</u> <u>CAROLINE K. BLUM (equally)</u>	___ %	<i>children</i>
<i>If Kim and I have additional children, amount to be split between all children equally)</i>	___ %	

Notes:

- Please PRINT CLEARLY or TYPE the names of the beneficiaries.
- To name a trust as beneficiary, please provide the name of the trustee(s) and the exact name and date of the trust agreement.
- To name your estate as beneficiary, please write "Estate of [your name]".
- Be aware that none of the contingent beneficiaries will receive anything unless ALL of the primary beneficiaries predecease you.

I understand that I may change these beneficiary designations by delivering a new written designation to the Plan Administrator, which shall be effective only upon receipt and acknowledgment by the Plan Administrator prior to my death. I further understand that the designations will be automatically revoked if the beneficiary predeceases me, or, if I have named my spouse as beneficiary and our marriage is subsequently dissolved.

Name: STEVEN C BLUM

Signature: Steven C Blum Date: 6/9/05

SPOUSAL CONSENT (Required if Spouse not named beneficiary):

I consent to the beneficiary designation above, and acknowledge that if I am named beneficiary and our marriage is subsequently dissolved, the designation will be automatically revoked.

Spouse Name: _____

Signature: _____ Date: _____

N/A

Received by the Plan Administrator this 9 day of JUNE, 2005

By: [Signature]

Title: CEO

EXHIBIT 1

PRIME SECURITY BANK EXECUTIVE INCENTIVE RETIREMENT AGREEMENT

Individual Performance Goals for Year 2005

Date 6/9/05

Executive Steve Blum

Plan Administrator L. Lee Madatyke

GOALS:

Monitor and provide the board of directors information to manage the following areas;

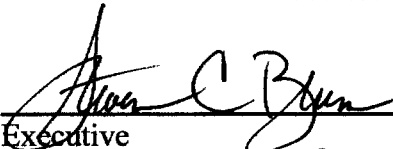
- Capital
- Liquidity
- Net Interest Margin
- Asset/Liability
- Interest Rate Risk
- Compliance
- Internal Audit
- Bank Security
- Information Security
- Operations/Retail
- Efficiency Ratio

To assist in achieving goals established in the 2005 Strategic Plan;

Financial: Achieve a ROA of 1.15% and ROE of 15%
Maintain Capital at a "well capitalized" status
Maintain Liquidity over 10%
Realize a NIM of 4.50% or greater
Transition from a C-Corp to S-Corp

Operations and Technology: Establish a "Satisfactory" Compliance rating from the regulatory examiners.

Human Resources: Provide the compensation, benefits, and work environment essential attracting and retaining a knowledgeable and dedicated staff of professional employees.

 _____ Date 6/9/05
Executive

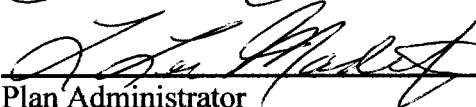
 _____ Date 6/9/05
Plan Administrator

EXHIBIT 2

**PRIME SECURITY BANK
EXECUTIVE INCENTIVE RETIREMENT AGREEMENT**

Steve Blum

RETURN ON ASSETS

If ROA is From	To	Bonus (as percentage of salary)
1.00	1.24	2.5%
1.25	1.39	5.0%
1.40	1.49	7.5%
1.50	+	10.0%

The above chart is specifically subject to change at the sole discretion of the Plan Administrator; provided, however, in the event the Plan Administrator exercises such discretion and changes the above chart, the Plan Administrator shall notify the Executive within thirty (30) days of the effective date of such change.

Received and acknowledged:

EXECUTIVE:



Steve Blum

Date: June 9, 2005

COMPANY:

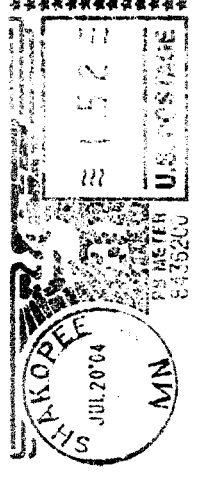
PRIME SECURITY BANK

By: 

Print Name: L. LEE MADETZKE

Print Title: CEO

Date: 6/9/05



First Class Mail

Top Hat Plan Exemption
Pension and Welfare Benefits Administration
Room N 5644
U.S. Department of Labor
200 Constitution Avenue N.W.
Washington, D.C. 20210

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS

FIRST CLASS