

**CPP ANNUAL USE OF CAPITAL SURVEY - 2010**

**NAME OF INSTITUTION**

(Include Holding Company Where Applicable)

McLeod Bancshares, Inc./First Minnesota Bank

Person to be contacted regarding this report:	Dale Ortloff	RSSD: (For Bank Holding Companies)	000112734
UST Sequence Number:	914	Holding Company Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	6,000,000	FDIC Certificate Number: (For Depository Institutions)	5151
CPP/CDCI Funds Repaid to Date:	0	Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	Nov 20, 2009	City:	Shorewood
Date Repaid <sup>1</sup> :	N/A	State:	Minnesota

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

<input checked="" type="checkbox"/>	Increase lending or reduce lending less than otherwise would have occurred.	The CPP funds were used to help support ongoing lending activities. Without the CPP funds, the Bank would have curtailed its lending programs beyond the slow down that has occurs during this economic recession.
<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	With the support of the CPP Funds we assumed the servicing of over \$100 million in Fannie Mae loans origination in an our area from a local community bank in August 2010, which was later closed by the FDIC. This lead to an increase of four additional full time employees.
<input type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	

<input type="checkbox"/>	Make other investments	
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	The CPP Funds provide the ability to fund the loan loss reserve adequately without requiring dividends to service Trust Preferred debt.
<input type="checkbox"/>	Reduce borrowings	
<input checked="" type="checkbox"/>	Increase charge-offs	The CPP Funding permit timely charge-offs and enhance our ability to resolve credit issues and maintain our CAMEL rating with our Primary Regulators.
<input checked="" type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	The CPP funds have helped support the Bank's purchase of a branch office that we are in the process of closing. This purchase will further increase our footprint in our market area to help meet the needs of the community. We will also be providing mortgage origination in this location.
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	With the CPP Funding we have not had to consolidate locations by closing branches in two communities of less the 600 people and leaving those communities with out banking access.

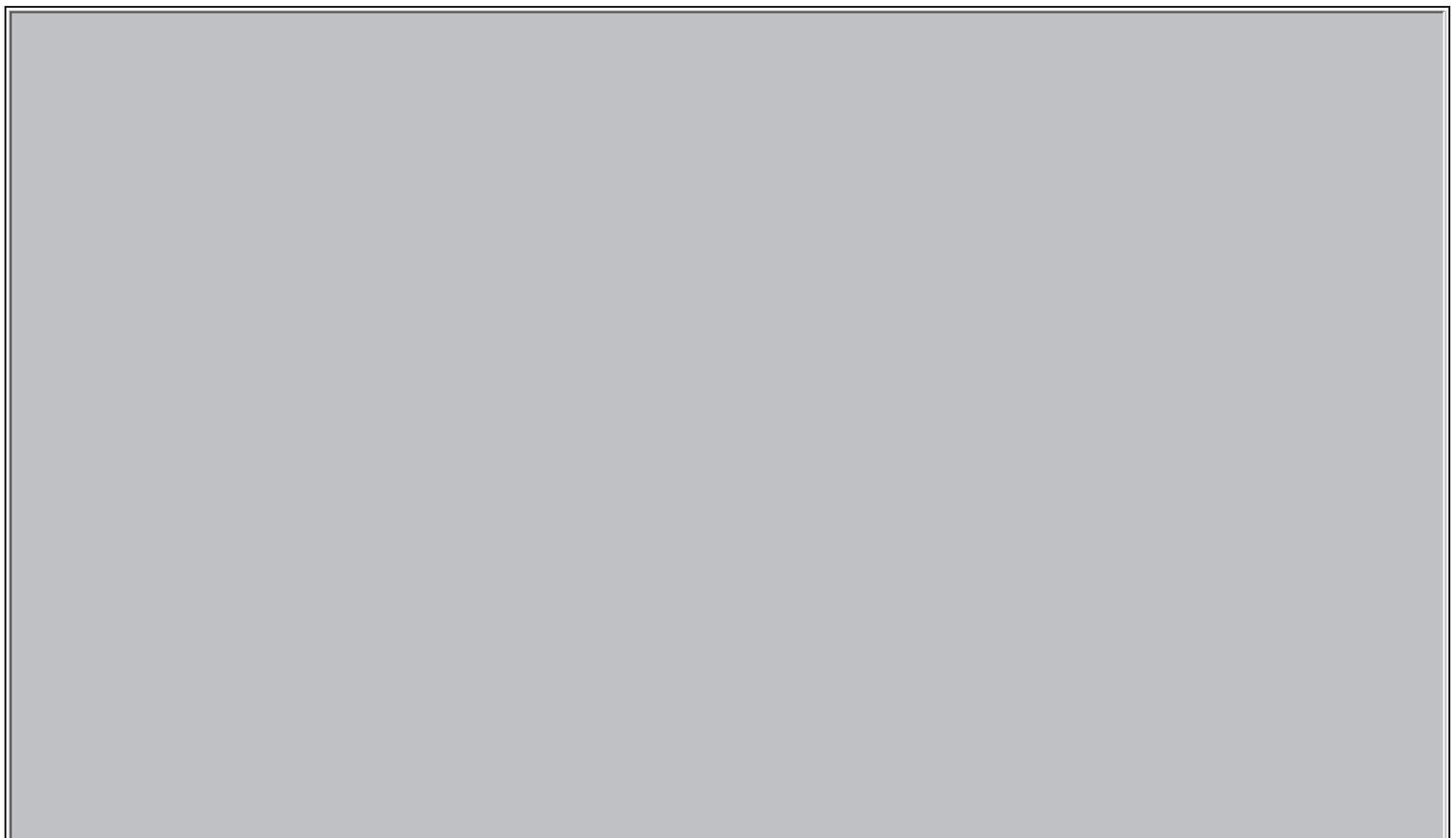
What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The Banks location of its branches are in the suburbs of the metro area and rural communities, which are uniquely located in residential, small business and agricultural areas. Our lenders are part of the communities and each of our branches have there own individual identity that consists of a Bank President and other lenders and staff, so that each branch can operate as a full service facility. This business model gives each branch the ability to work independently within each community to meet the personal and business need of that community. In recent years the Bank has felt the effects of the economy and has seen a slow down in lending, but in anticipation of a stronger economy, and with the availability of the CPP funds, we has been able to maintain this model and in some locations been able to add lending staff, to make sure that we maintain our presents in each community and always stay prepared to meet the needs of the community. The Bank as increased it's Officers Lending staff by four additional individuals in addition to the four individuals referenced earlier that where added in the mortgage area.

What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The CPP funding has given the Bank the opportunity to explore opportunities to expand our footprint within our market areas. The Bank has done due diligence for the purchase of three financial institutions within our market area. We submitted bids with the FDIC on two of them and even though we were not successful bidders, we were able to submit highly competitive bids. The CPP funding allows us the ability to continue to explore these opportunities so we can expand our lending opportunities within these markets and help meet the lending needs of the communities.

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.



According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.