

AGREEMENT BY AND BETWEEN

First National Bank of Lerna, Lerna, Illinois

and

The Office of the Comptroller of the Currency

First National Bank of Lerna, Lerna, Illinois (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination, dated February 1, 2000 (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to the:

Assistant Deputy Comptroller

Champaign Field Office

Harris Center, 3001 Research Rd., Suite E-2

Champaign, Illinois 61822.

ARTICLE II

ACTION PLAN

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written action plan detailing the Board's assessment of what needs to be done to address the items detailed in the *Matters Requiring Board Attention* of the February 1, 2000, ROE, specifying how the Board will implement the plan, and setting forth a timetable for the implementation of the plan. Upon completion of the plan, the Bank shall submit the plan to the Assistant Deputy Comptroller for review. The Board shall establish appropriate procedures for the implementation of the plan.

(2) In the event the Assistant Deputy Comptroller recommends changes to the action plan, the Board shall immediately incorporate those changes into the plan.

(3) The plan shall be implemented pursuant to the time frames set forth within the plan. If the Board considers modifications appropriate, those modifications shall be submitted to the Assistant Deputy Comptroller for approval prior to making any modifications.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE III

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within thirty (30) days, the Board shall ensure that the Bank has competent management in place in Chief Executive or Operating Officer, President, Senior Loan Officer, and Executive Vice-President positions to carry out the Board's policies, ensure compliance with this Agreement, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within thirty (30) days, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes should be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within fifteen (15) days assess each of these individuals' experience, other qualifications and performance compared to the positions' descriptions, duties and responsibilities.

(4) If the Board determines that an officer or manager will continue in his/her position but that the officer's or manager's depth of skills needs improvement, the Board will

within fifteen (15) days develop and implement a written program, with specific time frames, to improve the officers' or manager's supervision and management of the Bank. At a minimum the written program shall include:

- (a) an education program designed to ensure that the officer/manager has skills and abilities necessary to supervise effectively;
- (b) a program to improve the effectiveness of the officer/manager;
- (c) objectives by which the officer's/manager's effectiveness will be measured; and
- (d) a performance appraisal program for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller.

(5) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's/manager's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within thirty (30) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Agreement and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer or management position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) a written statement of the Board's reasons for selecting the proposed officer/manager; and

- (b) a written description of the proposed officer's/manager's duties and responsibilities.

ARTICLE IV

STRATEGIC PLAN

(7) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written strategic plan for the Bank covering at least a three-year period. The strategic plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives and, at a minimum, include:

- (a) the development of strategic goals and objectives to be accomplished over the short and long term;
- (b) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives developed under (7)(c) of this Article;
- (c) an action plan to improve bank earnings and accomplish identified strategic goals and objectives, including individual responsibilities, accountability and specific time frames;

- (d) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over the period covered by the strategic plan; and
- (e) systems to monitor the Bank's progress in meeting the plan's goals and objectives.

(8) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and approval.

(9) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE V

CREDIT AND COLLATERAL EXCEPTIONS

(10) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the above information shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information would be detrimental to the best interests of the Bank;
- and
- (b) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it, where applicable.

ARTICLE VI

CHARGE OFF ASSETS

(11) The Bank shall immediately charge off the following assets totaling forty-nine thousand six hundred fifty-four dollars (\$49,654) from its books and records:

- | | | |
|-----|----------------|----------|
| (a) | Randy Allen | \$12,498 |
| (b) | Ora Craig | \$ 1,037 |
| (c) | Roger Edwards | \$ 7,477 |
| (d) | Donald Percy | \$16,745 |
| (e) | Kenneth Beeman | \$ 5,000 |
| (f) | Scott Brown | \$ 2,604 |
| (g) | Sheryl Brown | \$ 54 |
| (h) | Rebecca Graham | \$ 3,712 |
| (i) | Richard Horath | \$ 527 |

ARTICLE VII

NONACCRUAL LOANS

(12) The Bank shall immediately reverse or charge off all interest that has been accrued contrary to the requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income (Call Report Instructions) governing nonaccrual loans. Further, the Bank shall immediately reverse or charge off that portion of the remaining accrued interest on such loans that, when combined with principal, is not protected by sound collateral values.

(13) Within thirty (30) days, the Board shall adopt and implement written policies and procedures governing the supervision and control of nonaccrual loans. Such policies and procedures shall:

- (a) be consistent with the accounting requirements contained in the Call Report Instructions;
- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and
- (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

(14) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

ARTICLE VIII

CRITICIZED/PROBLEM ASSETS

(15) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each classified, special mention, and other problem loan or portion thereof that equals or exceeds fifteen thousand dollars (\$15,000);
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(16) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis, using the format of the attached Appendix A of this Agreement.

(17) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE IX

CALL REPORTS - REFILE AND REPUBLISH

(18) Within ten (10) days, the Board shall cause the Bank to refile and republish amended Reports of Condition and Income for the periods ending December 31, 1999, and March 31, 2000. Refiling and republishing is required due to the material effect of the bank's failure to recognize charge-off and nonaccrual loans correctly and in a timely manner, and the subsequent effect of proper recognition upon the bank's Allowance for Loan and Lease Losses and interest income. Within ten (10) days, the Board shall adopt and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

(19) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

ARTICLE X

PROGRESS REPORTING - QUARTERLY

(20) The Board shall submit quarterly progress reports to the Assistant Deputy Comptroller, Champaign Field Office, Harris Center, 3001 Research Rd., Suite E-2, Champaign, Illinois 61822. These reports shall set forth in detail:

- (a) actions taken to comply with each Article of the Agreement;
- (b) results of those actions; and
- (c) a description of the actions needed to achieve full compliance with each Article of this Agreement.

(21) The progress reports should also include any actions initiated by the Board and the Bank pursuant to the criticisms and comments in the Report of Examination or in any future Report of Examination.

(22) The first progress report, along with a copy of quarterly financial information as presented to the Board, shall be submitted for the period ending June 30, 2000, and will be due within forty (40) days of that date. Thereafter, progress reports will be due within thirty (30) days after the end of each quarter.

ARTICLE XI

CLOSING

(23) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(24) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him/her by the several laws of the

United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(25) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(26) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his/her hand on behalf of the Comptroller.

Signed

7/19/00

Richard A. McElmurry

Date

Assistant Deputy Comptroller

Champaign Field Office

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

Signed

7-19-00

Carroll L. Adkins

Date

Julie Ames

Date

Cornelius V. Miles

Date

Ruth R. Millington

Date

Freddie T. Richter

Date

APPENDIX A

First National Bank of Lerna

Lerna, Illinois

CRITICIZED/PROBLEM ASSET

REPORT AS OF:

BORROWER(S):

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$

CRITICISM

AMOUNT CHARGED OFF TO DATE

FUTURE POTENTIAL CHARGE-OFF

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof,

bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME
FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM
(repayment program should coincide with source of repayment):

Use this form for reporting each criticized asset that exceeds fifteen thousand dollars (\$15,000)
and retain the original in the credit file for review by the examiners. Submit your reports
quarterly until notified otherwise, in writing, by the Assistant Deputy Comptroller.