

AGREEMENT BY AND BETWEEN
Home State Bank / NA
Crystal Lake, IL
and
The Comptroller of the Currency

Home State Bank / NA, Crystal Lake, IL, (“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 has found at the Bank unsafe and unsound banking practices relating to credit administration and underwriting, and credit risk rating.

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
Chicago South Field Office
2001 Butterfield Rd, Ste. 400
Downers Grove, IL 60515-7915

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) by March 31, 2010, Tier 1 Capital at least equal to eight percent (8.00%) of adjusted total assets; and
- (b) by March 31, 2010, Total Risk Based Capital of twelve percent (12%) of risk-weighted assets.

(2) The requirement in this Agreement to meet and maintain a specific capital level means that the Bank may not be deemed to be “well capitalized” for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the minimum capital requirements pursuant to this Article.

ARTICLE III

PLANS TO ELIMINATE THE BASIS OF CRITICISM

(1) Effective immediately, the Bank shall take continuing action to protect its interest in those assets criticized in the Report of Examination dated October 13, 2009 (ROE), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within thirty (30) days, the Board shall review and as needed revise, and thereafter ensure Bank adherence to, individual workout plans designed to eliminate the basis of criticism on any asset (other than owner occupied residential real estate loans or consumer installment loans) criticized as “doubtful,” “substandard,” or “special mention” in the ROE, in any subsequent Report of Examination, by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination. Each workout plan must include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the current value of supporting collateral and the position of the Bank’s lien on such collateral when applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) actions designed to eliminate the basis of criticism of and protect the bank’s interest in the asset, including timeframes for implementing and evaluating the effectiveness of those actions.

(3) Upon adoption of the reviewed and revised workout plans, a copy of the workout plan for each criticized asset equal to or exceeding two hundred and fifty thousand dollars (\$250,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) Within thirty (30) days, the Board shall reassess the Bank's processes, personnel, and control systems to ensure implementation of and adherence to all of the workout plans developed pursuant to this Article.

(5) Effective immediately, the Board shall ensure that its designated committee conducts a review, on at least a monthly basis, to determine all of the following:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two hundred and fifty thousand dollars (\$250,000);
- (b) management's adherence to the workout plan adopted pursuant to this Article;
- (c) the status and effectiveness of the workout plan; and
- (d) the need to revise the workout plan or take alternative action.

(6) A copy of each review shall be maintained and placed in the credit file of each affected borrower. On a quarterly basis or upon request, a copy shall be forwarded to the Assistant Deputy Comptroller.

(7) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed two hundred and fifty thousand dollars (\$250,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending, or capitalizing any additional credit, a majority of the full Board (or its designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the workout plan adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

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

ARTICLE IV

COMMERCIAL REAL ESTATE LOAN UNDERWRITING STANDARDS

(1) Effective immediately, the Board shall ensure adherence to its written commercial real estate loan underwriting standards which were designed to ensure that the Bank is granting, renewing, and restructuring commercial real estate loans in a safe and sound manner in accordance with the guidelines in OCC Bulletin 2006-46, Concentration in Commercial Real Estate Lending, Sound Risk Management Practices (dated December 6, 2006) and the Commercial Real Estate and Construction Lending, A-CRE, of the Comptroller's Handbook.

(2) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the written commercial real estate loan underwriting standards.

ARTICLE V

CREDIT RISK RATING

(1) Within thirty (30) days, and on an ongoing basis thereafter, the Board shall review and revise its processes and controls to ensure that the Bank's internal risk ratings of commercial credit relationships in excess of \$250,000 ("Covered Relationship"), as assigned by responsible loan officers and by internal loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the Rating Credit Risk Booklet, A-RCR, of the Comptroller's Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the assessment of credit risk of any Covered Relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) if the primary source of repayment is cash flow from the borrower's operations, the strength of the borrower's cash flow is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;

- (d) collateral values should reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) On an ongoing basis, the Board shall ensure that any Covered Relationship with a high probability of payment default or other well-defined weakness is rated no better than Substandard, unless the debt is secured by marketable securities or cash.

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

ARTICLE VI

CREDIT UNDERWRITING

(1) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit in excess of \$10,000 only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information;

- (i) Failure to obtain the information in (4)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why failing to obtain the information in (4)(d) would not be detrimental to the best interests of the Bank.
 - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s).
- (e) for extensions of credit in excess of \$100,000, completing a global analysis of the borrower's current financial position, cash flow, and repayment ability; and
- (f) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

ARTICLE VII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within thirty (30) days, the Board shall revise its program for the maintenance of an adequate Allowance for Loan and Lease Losses ("Allowance"). The revised Allowance policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006, (OCC Bulletin 2006-47), and the bank's revisions shall include requirements for impairment analyses consistent with Financial Accounting Standard 114 (recently codified as FASB ASC 310-10, *Receivables – Overall – Subsequent Measurement – Impairment*).

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

ARTICLE VIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) 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.

(3) 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.

(4) 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.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has

statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

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

/s/

Mary Beth Farrell
Assistant Deputy Comptroller
Chicago South Field Office

March 15, 2010

Date

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.

<i>/s/</i>	March 15, 2010
_____ James L. Althoff	_____ Date
<i>/s/</i>	March 15, 2010
_____ James C. Berg	_____ Date
<i>/s/</i>	March 17, 2010
_____ Robert L. Cormier	_____ Date
<i>/s/</i>	March 15, 2010
_____ Timothy J. Curran	_____ Date
<i>/s/</i>	March 30, 2010
_____ Suzanne K. Dunn	_____ Date
<i>/s/</i>	March 15, 2010
_____ Patrick O. Morehead	_____ Date
<i>/s/</i>	March 15, 2010
_____ Joseph T. Morrow	_____ Date
<i>/s/</i>	March 15, 2010
_____ Christopher M. Morrow	_____ Date
<i>/s/</i>	March 15, 2010
_____ Sandra M. Pierce	_____ Date
<i>/s/</i>	March 15, 2010
_____ Steven L. Slack	_____ Date