

**AGREEMENT BY AND BETWEEN  
THE FIRST NATIONAL BANK OF SULLIVAN  
SULLIVAN, ILLINOIS  
AND  
THE COMPTROLLER OF THE CURRENCY**

The First National Bank of Sullivan, Sullivan, Illinois (“Bank”) and the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) 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 unsafe and unsound banking practices relating to credit underwriting, the allowance for loan and lease losses (“ALLL”), loan review, credit risk ratings, problem loan workout planning, and capital planning, as well as violations of law at the Bank.

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) This Agreement shall cause the Bank to be designated as in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, this Agreement shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

## ARTICLE II

### CREDIT UNDERWRITING

(1) Within sixty (60) days of the effective date of this Agreement, the Board shall revise, implement, and thereafter ensure Bank adherence to the Bank’s loan policies and procedures concerning loan modifications, extensions, renewals, and Troubled Debt Restructurings (“TDRs”), consistent with the Loan Portfolio Management booklet of the *Comptroller’s Handbook*, OCC Bulletin 2009-32 – *Commercial Real Estate (CRE) Loans: Guidance on Prudent CRE Loan Workouts* (Oct. 30, 2009), and OCC Bulletin 2012-10 – *Troubled Debt Restructurings* (Apr. 5, 2012), to ensure appropriate credit underwriting practices.

At a minimum, the Bank’s revised loan policies and procedures shall address:

- (a) proper loan structuring of unsecured debt;
- (b) recognition of nonaccrual loans, consistent with U.S. Generally Accepted Accounting Principles (“GAAP”) and the instructions for the preparation of Consolidated Reports of Condition and Income (“Call Report”);
- (c) the use of loan extensions and renewals; and

- (d) any other deficiencies in the Bank's lending procedures noted in the Report of Examination ("ROE") dated April 8, 2013 (the "most recent ROE").

(2) Effective immediately, the Bank may grant, extend, renew, alter, or restructure any loan or other extension of credit 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 current and satisfactory credit information and performing and documenting a detailed financial analysis of such information, including a cash flow analysis of all expected repayment sources and an appropriate analysis of the guarantors' current financial position where repayment is dependent in whole or in part on the support of a guarantor;
- (e) determining and documenting whether the loan conforms to the Bank's Loan Policy, and if it does not conform, providing identification of the exception and ample justification to support waiving the policy exception;
- (f) making and documenting the determinations made regarding the customer's ability to repay the credit on the proposed repayment terms;
- (g) providing an accurate risk assessment grade; and
- (h) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(3) The Board shall take the necessary steps to ensure that proper collateral documentation is maintained on all loans. Within thirty (30) days of notification, the Board shall ensure that the Bank obtains any missing collateral documentation described in the most recent ROE, in any subsequent ROE, in any internal or external loan review, or in any listings of loans lacking such information provided to management by OCC examiners during any examination.

(4) Within sixty (60) days of the effective date of this Agreement, the Board shall take the necessary steps to ensure the Bank obtains appraisals and evaluations in compliance with 12 C.F.R. Part 34, OCC Bulletin 2005-6 – *Frequently Asked Questions on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions* (Mar. 22, 2005), OCC Bulletin 2010-42 – *Interagency Appraisal and Evaluation Guidelines* (Dec. 10, 2010), and the Uniform Standards of Professional Appraisal Practice.

### ARTICLE III

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days of the effective date of this Agreement, the Board shall revise, implement, and thereafter ensure adherence to its written policies and procedures for maintaining an adequate ALLL in accordance with GAAP. The revised ALLL policies and procedures shall be consistent with OCC Bulletin 2006-47 – *Interagency Policy Statement on the Allowance for Loan and Lease Losses* (Dec. 13, 2006), and shall include, at a minimum:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB ASC 310-10, *Receivables - Overall - Subsequent Measurement – Impairment*);
- (b) procedures for segmenting the loan portfolio and estimating losses on groups of loans using historical loss data that reflect current economic

conditions and the current financial condition of the bank, consistent with GAAP (including FASB ASC 450-20, *Loss Contingencies*). These procedures shall require the Bank to document its estimation of credit losses and an appropriate analysis of the nine qualitative factors set forth in OCC Bulletin 2006-47;

- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board's review and approval, the amount to be reported in the Call Reports for the ALLL.

(2) The Board shall ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Reports.

#### ARTICLE IV

##### INDEPENDENT LOAN REVIEW AND LOAN RISK RATINGS

(1) Within ninety (90) days of the effective date of this Agreement, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of commercial or agricultural credit relationships (covered relationship), as assigned by responsible loan officers and by any independent loan reviewer, 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 determination of the strength of the borrower's cash flow is limited to 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) Within ninety (90) days of the effective date of this Agreement, the Board shall establish, implement, and thereafter ensure Bank adherence to an effective, independent, and ongoing loan review program to review, at least annually, past due, non-accrual, and insider credits, and all loans not subject to OCC Bulletin 2000-20 – *Uniform Retail Credit Classification and Account Management Policy* (June 20, 2000) in the Bank's loan and lease portfolios that

equal or exceed one hundred thousand dollars (\$100,000). The review shall also include any assets criticized as “special mention,” “substandard,” or “doubtful” in the most recent ROE, in any subsequent ROE, by the Bank, by any internal or external loan review, or in any list provided to management by OCC examiners during any examination.

(3) The loan review program shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in the Rating Credit Risk Booklet, A-RCR, of the *Comptroller’s Handbook*. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of criticized assets;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit information and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases not in conformance with the Bank’s lending and leasing policies, and exceptions to the Bank’s lending and leasing policies;
- (f) the identity of the loan officer who originated each loan reported pursuant to (a) – (e) of this Paragraph;
- (g) concentrations of credit;
- (h) the accrual status of each criticized asset and amount of impairment reserves, if necessary; and
- (i) loans and leases to executive officers and directors (and their related interests) of the Bank.

(4) Within thirty (30) days of receipt, the Board shall evaluate the internal loan and lease review reports and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report. A copy of the reports submitted to the Board, as well as documentation of any remedial action taken by the Bank to address Board concerns, shall be maintained at the Bank and available for review by OCC examiners upon request.

## ARTICLE V

### PROBLEM LOAN WORKOUT PLANS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized as “special mention,” “substandard,” or “doubtful” in the most recent ROE, in any subsequent ROE, by the Bank, by any internal or external loan review, or in any list provided to management by the OCC during any examination.

(2) Within sixty (60) days of the effective date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to protect the Bank’s interest in or eliminate the basis of criticism of assets criticized in the most recent ROE or internally identified by the Bank as criticized as of the effective date of this Agreement. On an ongoing basis, when any asset is criticized in a subsequent ROE, by the Bank, by any internal or external loan review, or in any list provided to management by the OCC during any examination, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans for the criticized asset within thirty (30) days. Each workout plan shall include, at a minimum:

- (a) an identification of the expected sources of repayment;



- (b) an analysis of the borrower's ability to repay the loan based on current and satisfactory credit information, including an appropriate analysis of the guarantors' current financial position where repayment is dependent in whole or in part on the support of a guarantor;
- (c) detailed collateral information, including, as applicable, the current value of supporting collateral, the condition of the collateral, and the position of the Bank's lien on such collateral;
- (d) information on tenants and occupancy rates, if the collateral is income producing real estate; and
- (e) action(s) the Bank plans to take to protect its interest in, or eliminate the basis of criticism of, the asset, including timeframes for implementing and evaluating the effectiveness of those actions.

(3) The Board, or a designated committee, shall review each workout plan, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset (including loan relationships), or criticized portion thereof that equals or exceeds one hundred thousand dollars (\$100,000);
- (b) the Bank's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the plans; and
- (d) the need to revise the plans or take alternative action.

(4) A copy of each review conducted pursuant to Paragraph (3) of this Article shall be available for OCC inspection upon request.

(5) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals and extensions, to a borrower whose loans or other extensions of credit are criticized in the most recent ROE, in any subsequent ROE, by the Bank, by any internal or external loan review, or in any list provided to management by the OCC during any examination, and whose aggregate loans or other extensions of credit from the Bank equal or exceed one hundred thousand dollars (\$100,000), only if each of the following conditions is met:

- (a) the Bank complies with Paragraph (2) of Article II with respect to any such loan or extension of credit;
- (b) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and prior to renewing, extending, or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (c) a comparison to the plans adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(6) A copy of the approval of the Board or of the designated committee, obtained pursuant to Paragraph (5) of this Article, shall be maintained in the file of the affected borrower.

## ARTICLE VI

### CAPITAL PLAN

(1) Effective immediately, the Bank shall only declare dividends after it has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

(2) Within ninety (90) days of the effective date of this Agreement, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a written Capital Plan for the Bank covering at least a two-year period. The Capital Plan shall be consistent with OCC Bulletin 2012-16 – *Guidance for Evaluating Capital Planning and Adequacy* (June 7, 2012) and shall, at a minimum:

- (a) identify and evaluate all material risks to capital;
- (b) determine the Bank’s capital needs in relation to material risks and strategic direction;
- (c) include strategies to build and maintain capital at levels that satisfy the Bank’s capital needs, including a robust plan to raise capital in the near future;
- (d) include actionable measures taken upon strategic or economic changes; and
- (e) include the Bank’s plans to declare or pay dividends.

(3) Within fifteen (15) days following receipt of the Assistant Deputy Comptroller’s written determination of no supervisory objection to the Bank’s Capital Plan, the Board shall adopt, implement, and thereafter ensure Bank adherence to the Capital Plan. The Board shall review and update the Bank’s Capital Plan at least annually, and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Prior to adopting any subsequent amendments or revisions to the Capital Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection.

## ARTICLE VII

### VIOLATIONS OF LAW

(1) The Board shall require and the Bank shall immediately take all necessary steps to correct each violation of law, rule, or regulation cited in the most recent ROE or any subsequent ROE, or brought to the Board's or Bank's attention in writing by management, regulators, auditors, loan review, or other compliance efforts. Within ninety (90) days after the violation is cited or brought to the Board's or Bank's attention, the Bank shall provide to the Board a list of any violations that have not been corrected. This list shall include an explanation of the actions taken to correct the violation, the reasons why the violation has not yet been corrected, and a plan to correct the violation by a specified date.

(2) Within ninety (90) days of the effective date of this Agreement, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the most recent ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within ninety (90) days of receipt of any subsequent ROE which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in such ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

## ARTICLE VIII

### CLOSING

(1) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him 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.

(2) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. The phrase "effective date" shall mean the date this Agreement is executed by the Comptroller or by his duly authorized representative. Such time requirements may be extended in writing by the Comptroller or his duly authorized representative for good cause upon written application by the Board.

(3) 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.

(4) 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) ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies, procedures, and programs developed pursuant to this Agreement;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(5) 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 OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b) and (i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC’s exercise of its supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

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

/s/

8/27/13

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John A. Vivian  
Assistant Deputy Comptroller  
Champaign Field Office

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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.

/s/

8/27/13

\_\_\_\_\_  
Ray Duncan

\_\_\_\_\_  
Date

/s/

8/27/13

\_\_\_\_\_  
Paul Hrvol

\_\_\_\_\_  
Date

/s/

8/27/13

\_\_\_\_\_  
Phillip Martin

\_\_\_\_\_  
Date

/s/

8/28/13

\_\_\_\_\_  
John Schneider

\_\_\_\_\_  
Date

/s/

8-27-13

\_\_\_\_\_  
William Wampler

\_\_\_\_\_  
Date

/s/

8-27-2013

\_\_\_\_\_  
Henry Wilson

\_\_\_\_\_  
Date