

SUPERVISORY AGREEMENT

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This Supervisory Agreement ("Agreement") is made and is effective this 30th day of August, 1991 ("Effective Date"), by and between First Federal Savings and Loan Association of Pekin, Pekin, Illinois ("Institution"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of Section 8(b)(1) and (i)(2) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b)(1) and (i)(2).

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically 12 C.F.R. § 563.161(a) and 12 C.F.R. § 571.19(b), thus constituting unsafe and/or unsound practices and providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against the Institution for its failure to comply with 12 C.F.R. § 563.161(a) and 12 C.F.R. § 571.19(b) and unsafe and/or unsound practices set forth in the Institution's Report of Examination, dated March 4, 1991, for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, without admitting regulatory noncompliance, or that grounds exist for the initiation of cease and desist proceedings and in the interest of regulatory compliance and cooperation, the Institution, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings;

NOW THEREFORE, in consideration of the above-stated forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

1. The Institution shall correct existing violations cited in this document and the Report of Examination, dated March 4, 1991, and shall not initiate any action which would result in a violation of 12 C.F.R. § 571.19(b), and/or 12 C.F.R. § 563.161(a) as it relates to the failure to adopt a comprehensive written business plan.
2. By October 31, 1991, the Board shall submit to the OTS Manager either a signed Letter of Intent to merge the Institution with an acquirer acceptable to the OTS or, in lieu thereof, a Board approved comprehensive Business Plan. At a minimum, the Business Plan shall provide the following:

- a. the attainment of a tangible capital level of 4.5% of tangible assets by September 30, 1992. This capital requirement may be superseded at any time by subsequent capital regulations as promulgated by the OTS;
 - b. a projection of major balance sheet and income statement components;
 - c. a written profit plan;
 - d. contemplated strategies;
 - e. a three year budget containing statements of condition and operations. The budget shall be broken down into calendar quarters and the forecasts shall reflect business plan strategies; and
 - f. procedures to monitor the Institution's actual results against the projections and to provide for appropriate adjustments to the budget and profit plan.
3. Upon approval by the OTS Manager of the Business Plan, the Board shall adhere to the Business Plan in all respects.
 4. In the event the Board submits a Letter of Intent as provided for in Paragraph No. 2, a Definitive Agreement to merge the Institution must be submitted to the OTS Manager no later than December 2, 1991.
 5. By September 30, 1991, the Board shall submit to the OTS Manager an investment policy for the Institution which contains, at a minimum:
 - a. the regulatory requirements for an investment portfolio policy contained under 12 C.F.R. § 571.19; and
 - b. the elements described in Thrift Bulletin 41, dated December 29, 1989.

Closings

6. It is understood that the execution of this Agreement shall not be construed as an approval of any application or notices that are contemplated by the Institution.
7. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest.
8. Although the Board, by this Agreement, is required to submit certain proposed actions and programs for the review by the OTS Manager, the Board has the ultimate responsibility for proper and sound management of the Institution.

9. It is expressly and clearly understood that if, at any time, the OTS deems it appropriate in fulfilling the lawful responsibilities placed upon it by the several laws of the United States of America to undertake any lawful action affecting the Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.
10. Any time limitations imposed by this Agreement shall begin to run from the Effective Date of this Agreement, unless otherwise provided for. Such time limitations may be extended by the OTS Manager for good cause upon written application by the Board.
11. Any report or other document required by this Agreement to be submitted to the OTS shall be filed with the Office of Thrift Supervision, 111 East Wacker Dr., Suite 800, Chicago, Illinois 60601, Attn: John Zube. All reports and other documents shall be deemed filed when received by the OTS Manager.
12. In the event any provision of this Agreement shall be declared invalid, illegal, or unenforceable; the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
13. All technical words or terms used in this Agreement, for which meanings are not specified herein shall, insofar as applicable, have such meaning as defined in the rules and regulations adopted by the OTS (including without limitation, Chapter V of Title 12 Code of Federal Regulations), or as such definition is amended after the Effective Date of this Agreement. Additionally, any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have such meaning that accord with the best custom and usage in the thrift industry.
14. This Agreement shall remain in effect until terminated, modified, waived, suspended by the OTS, acting through the Regional Director or his designee, or upon consummation of an OTS approved merger.

IN WITNESS WHEREOF, the OTS acting through the Regional Director and the Institution, by its duly elected directors, have executed this Agreement on the date first above written.

OFFICE OF THRIFT SUPERVISION
CHICAGO, ILLINOIS

By:

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Stuart M. Braiman
Regional Director

Aug. 30, 1991
Date

FIRST FEDERAL SAVINGS AND LOAN
ASSOCIATION OF PEKIN
Pekin, Illinois

By:

15/
Philip F. Kriegsman, Director/CEO

15/
Albert F. Knight, Director/EVP

15/
Paul Emerson, Director

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John M. Kriegsman, Director

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Thomas J. O'Shea, Director

15/
O. David Smith, Director