

AGREEMENT

19 This Agreement ("Agreement") is made and is effective this day of June 1991 ("Effective Date"), by and between Heart of Illinois Bank, Federal Savings Bank (OTS No. 6697) ("Heart of Illinois") 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 Heart of Illinois. 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, as amended by Title IX of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 Pub. L. No. 101-73, 103 Stat. 183 ("FIRREA"), (to be codified at 12 U.S.C. Sections 1818(b)(1) and (i)(2)).

WHEREAS, the OTS is of the opinion that Heart of Illinois has not complied with certain of the regulations to which Heart of Illinois is subject in conducting the business of Heart of Illinois, specifically 12 C.F.R. Sections 563.161(a) and 563.171(c), the September 25, 1989 OTS Conditional Approval Letter, and has engaged in unsafe or unsound practices in conducting the business of Heart of Illinois, thereby providing grounds for the initiation of cease and desist proceedings against Heart of Illinois by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against Heart of Illinois for its failure to comply with regulations, unsafe and/or unsound practices, and violations of the September 25, 1989 OTS Conditional Approval Letter as set forth in Heart of Illinois' Report of Examination dated October 1, 1990 for so long as Heart of Illinois is in compliance with the provisions of this Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, Heart of Illinois, by its Board of Directors ("Board"), is willing to enter into this Agreement to avoid the initiation of such cease and desist proceeding;

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

Statutes and Regulations

1. Heart of Illinois shall correct existing violations cited in this section and the Report of Examination dated October 1, 1990 and shall not initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

- (a) conditions imposed in the OTS September 25, 1989 letter which conditionally approved Heart of Illinois' acquisition by Heart of Illinois Investment Corporation;

(b) 12 C.F.R. § 563.161(a), pertaining to unsafe and unsound practices; and

(c) 12 C.F.R. § 563.171(c), pertaining to establishment and maintenance of books and records.

#### Affiliated Transactions

2. Heart of Illinois under the direction of the Board, shall not, directly or indirectly, pay money or its equivalent to, or extend credit in any form to or for the benefit of, its affiliates (as defined in 12 U.S.C. § 371c and 12 C.F.R. § 574.2(d)) or enter into or engage in any transaction which obligates it to do the same.

3. The Board shall immediately ensure ongoing compliance with all of the conditions imposed in the OTS September 25, 1989 letter which conditionally approved Heart of Illinois' acquisition by Heart of Illinois Investment Corporation.

4. Within thirty (30) calendar days, the Board shall develop and submit to the OTS Manager for review and approval copies of written policies, procedures, and controls established to monitor and ensure ongoing compliance with the conditions imposed in the OTS September 25, 1989 letter and 12 U.S.C. § 371c.

#### Lending Policy

5. Within forty-five (45) calendar days, the Board shall revise Heart of Illinois' written lending policy and procedures. In formulating this revised lending policy, the Board shall refer to the Office of Thrift Supervision Regulatory Handbook - Thrift Activities for guidance. This lending policy shall include, at a minimum, the following:

(a) a description of acceptable types of loans which Heart of Illinois may grant;

(b) specific guidelines for originating loans;

(c) a provision that clearly defines the loan approval process and sets forth the loan committee's specific responsibilities;

(d) a provision that limits loan review, evaluation, and underwriting of all loans to only designated employees of Heart of Illinois;

(e) a provision that, prior to funding or obligating itself to fund any loan or investment, Heart of Illinois must have obtained, as appropriate, each of the items required under 12 C.F.R. § 563.170(c);

(f) a provision requiring that current credit information be obtained on each borrower prior to loan approval;

(g) a provision that defines the financial information requirements for businesses and individuals at various borrowing levels. These information requirements shall include, but not be limited to, audited, non-audited, fiscal, interim, operating, cash flow, and other statements, as well as, trade reports for specialized lending where applicable;

(h) maximum ratios of loan value to appraised value or acquisition costs;

(i) acceptable debt service ratios for each type of loan offered;

(j) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

(k) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;

(l) limits and guidelines for purchasing loans;

(m) specific geographic limits that clearly delineate the trade area for lending purposes with the primary trade area being distinguished from any secondary trade area so that emphasis may be properly placed;

(n) guidelines and limitations for loans originating outside of the normal trade area with specific restrictions or exceptions listed separately;

~~(o) guidelines and limitations on concentrations of credit;~~

~~(p) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose; and~~

~~(q) quarterly reviews by the Board of Heart of Illinois' adherence to the revised lending policy.~~

6. Heart of Illinois under the direction of the Board shall not make, renew, or extend any loan or other extension of credit unless such action is in conformity with the revised lending policy identified in paragraph 5.

7. A copy of the revised lending policy identified in paragraph 5 shall be submitted to the OTS Manager for review and approval prior to adoption.

8. Upon approval by the OTS Manager of the revised lending policy identified in paragraph 5, the Board shall adhere to it in all respects.

9. Effective immediately, John Dailey shall no longer be involved in any lending activity at Heart of Illinois other than as a member of Heart of Illinois' Loan Committee.

Board and Management Supervision

10. Within sixty (60) calendar days, the non-officer members of the Board ("Outside Board") shall complete a study of Heart of Illinois' current management structure, staffing requirements, and Board supervision. The findings and recommendations of the Outside Board shall be submitted to the Board in writing and shall include, at a minimum:

(a) an identification of present and future management and staffing requirements of each area of operations, with particular attention given to the lending area;

(b) an evaluation of the abilities of each member of current management to perform the duties and responsibilities of his/her position;

(c) objectives by which management's effectiveness has been, and will be measured;

(d) the need for additions to and/or deletions to current management;

(e) an assessment of whether Board members are receiving adequate information to enable them to fulfill their fiduciary responsibilities and other responsibilities under the applicable laws and regulations;

(f) an evaluation of whether Board members are acting responsibly and expeditiously in fulfilling their duties as members, which includes adherence with the corporate by-laws pursuant to 12 C.F.R § 552.6-1; and

(g) a detailed evaluation of the responsibility of current management for the unsafe and unsound practices identified in the Report of Examination dated October 1, 1990.

11. Within twenty (20) calendar days of the completion of the study identified in paragraph 10, the Board shall adopt a written plan, with specific time frames, to eliminate any deficiencies that are identified in the study.

12. Within ten (10) calendar days of the completion of the written plan, it is to be submitted to the OTS Manager for written approval.

13. Within ten (10) calendar days from receiving written approval from the OTS Manager, the Board shall adopt the written plan and adhere to the written plan in all respects.

Board and Management Committee Structure

14. Within thirty (30) calendar days, the Board shall adopt and implement procedures to ensure that the minutes of all Board and management committee meetings are being accurately maintained and reflect any actions at such meetings pursuant to 12 C.F.R § 552.11(a).

15. Within ten (10) calendar days after each board of directors meeting, the Board shall submit a copy of the meeting minutes to the OTS Manager.

16. Within forty-five (45) calendar days, the Board shall conduct a review of the Board's committee structure. The review shall include an evaluation of the existing committee structure at Heart of Illinois and shall address, at a minimum, the following:

(a) an analysis of the number of committees and responsibilities assigned to each;

(b) the composition of each committee with regard to the number of members and the technical expertise required for each committee; and

(c) specific recommendations to improve the efficiency and responsiveness of each committee.

17. A copy of the review shall be forwarded to the OTS Manager along with a copy of the Board resolution making appropriate adjustments in the committee structure pursuant to the review's findings.

Interest Rate Risk Management

18. Within thirty (30) calendar days, the Board, or a delegated committee acting under the direction of the Board, shall formulate a written plan to reduce Heart of Illinois' interest rate risk exposure. This written plan, at a minimum, shall include, target gap positions for the one year and three year maturity buckets; and specific actions to be taken.

19. The Board, or a delegated committee acting under the direction of the Board, shall monitor Heart of Illinois' interest rate risk exposure on a quarterly basis and take all appropriate actions pursuant to 12 C.F.R. § 563.176.

General Valuation Allowances

20. Within thirty (30) calendar days, the Board shall submit to the OTS Manager for approval its methodology and rationale for determining adequate general valuation allowances.

21. Within fifteen (15) calendar days after receiving approval from the OTS Manager, the Board shall establish and maintain general valuation allowances as calculated by the Board's methodology.

22. Within twenty (20) calendar days from the last day of each calendar quarter, beginning with the June 30, 1991 quarter, the Board shall review its methodology for calculating general valuation allowances for appropriateness and this review shall be documented in the board meeting minutes. Any changes to the Board's methodology shall be submitted to the OTS Manager for approval prior to implementation.

#### Business Plan

23. Within forty-five (45) calendar days, the Board shall develop and adopt a written three-year business plan which will include a projection of major balance sheet and income statement components. The business plan shall also include, at a minimum, the following:

- (a) a written profit plan and a detailed budget;
- (b) contemplated strategies;
- (c) identification of major capital expenditures;
- (d) specific market segments which the Board intends to promote and develop; and
- (e) procedures that will be established to monitor Heart of Illinois' actual results against projections and to provide for appropriate adjustments to the budget and profit plan.

24. Within sixty (60) calendar days, the business plan shall be submitted to the OTS Manager for review.

#### Monitoring

25. The Board shall appoint a committee or person(s) to monitor compliance with this Agreement. Said committee or person(s) shall submit a written report to the Board at the Board's regular quarterly meeting. This report shall detail Heart of Illinois' compliance with this Agreement. A copy of each report shall be forwarded to the OTS Manager on a quarterly basis no later than the end of the month that the review by the Board occurs.

#### Closings

26. Any report or other document required by this Agreement to be submitted to the OTS Manager shall be filed with the Office of Thrift Supervision, 111 East Wacker Drive, Suite 800, Chicago, IL 60601, Attn: Donald Sorensen. All reports and other documents shall be deemed filed when received by the OTS.

27. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager or Regional Director, the Board has the ultimate

responsibility for proper and sound management of Heart of Illinois.

28. 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 Heart of Illinois, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.

29. Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time limitations may be extended by the OTS Manager for good cause upon written application by the Board.

30. All technical words or terms used in this Agreement, for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in the rules and regulations adopted by the OTS (including, without limitation, 12 C.F.R. § 500.1 et seq., § 541.1 et seq., and § 561.1 et seq. (1990)). Any such technical words or terms used in this Agreement and undefined in said rules and regulations shall have meanings that accord with the best custom and usage in the thrift industry.

31. 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.

32. This Agreement shall remain in effect until terminated, modified, or suspended by the OTS, acting through the Regional Director or his designee.

IN WITNESS WHEREOF, the OTS, acting through its Regional Director, and Heart of Illinois, by its board of directors, have executed this Agreement on the date first above written.

THE OFFICE OF THRIFT SUPERVISION  
CHICAGO, ILLINOIS

By: 151  
~~Stuart M. Brafman~~  
Regional Director

HEART OF ILLINOIS BANK, FSB  
SPRING VALLEY, ILLINOIS

By: 151  
~~G. Raymond Becker~~

By: 151  
~~Edward M. Burke~~

By: 151  
~~John P. Dailey~~

By: 151  
~~Robert Daniels~~

By: 151  
~~Peter B. Fox~~

By: 151  
~~Donald Udstuen~~

By: 151  
~~John Washburn~~