

#2001-87

**AGREEMENT BY AND BETWEEN
CORNERSTONE BANK AND TRUST, N.A.
CARROLLTON, ILLINOIS**

**AND
THE OFFICE OF THE COMPTROLLER OF THE CURRENCY**

Cornerstone Bank and Trust, N.A., Carrollton, 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 May 15, 2001.

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
Fairview Heights Field Office
13 Executive Drive, Suite 7
Fairview Heights, Illinois 66208-1342

Article II
CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Board shall ensure the Bank's adherence to the terms of its capital program adopted September 19, 2000. As part of the capital program, the bank shall achieve and maintain the following capital levels (as defined in 12 C.F.R. Part 3) no later than the close of business on November 30, 2001:

- (a) Tier 1 capital at least equal to six percent (6%) of risk-weighted assets;
- (b) Total risk based capital at least equal to ten percent (10%) of risk-weighted assets;
- (c) Tier 1 capital at least equal to five percent (5%) of adjusted total assets.

(2) Following the Bank's initial compliance specified in the preceding paragraph of this Article, the Board shall ensure the Bank's subsequent adherence to the terms of its three year capital program adopted September 19, 2000. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Within ninety (90) days of any such review or update, any changes to the Bank's capital program shall be submitted to the Assistant Deputy Comptroller.

(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 III
INTERNAL AUDIT

(1) No later than September 30, 2001, the Board shall ensure Bank adherence to an independent, internal audit program sufficient to provide assurance to the Board and Bank management that the Bank is being operated:

- (a) with an effectively functioning system of internal controls;
- (b) in accordance with all applicable laws, rules and regulations; law; and,
- (c) in a safe and sound fashion.

As part of the Bank's audit program, the internal auditor shall report directly to the Bank's audit committee. The audit committee and the Board shall evaluate the audit reports of any party providing material services to the Bank and assess the impact on the Bank of any audit deficiencies cited in such reports.

(2) The Board shall to ensure that the audit function is supported by an adequately staffed department or outside firm. Such support shall be evaluated by the Board reviewing the experience level, independence and number of the individuals employed, as well as to other job-related demands placed on the time of the audit staff, if an internal auditor is selected to meet the requirement of this Article.

(3) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record to document the scope and methodology of the audit work, notification of audit exceptions and Board responses thereto.

(4) Upon adoption of any changes to the Bank's internal audit program, a copy of the new, internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

Article IV
ASSET/LIABILITY MANAGEMENT POLICY

(1) No later than October 30, 2001, the Board shall ensure Bank adherence to its asset and liability management policy adopted September 19, 2000. Upon adoption of any changes to the Bank's September 19, 2000 asset and liability management policy, a copy of the new policy shall be promptly submitted to the Assistant Deputy Comptroller.

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

Article V
PROFIT PLAN

(1) The Board shall ensure Bank adherence to its written profit plan, adopted September 19, 2000, to improve and sustain the earnings of the Bank.

(2) Until the termination of this Agreement, the Board shall submit to the Assistant Deputy Comptroller:

(a) an identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;

(b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements; and,

(c) a description of the operating assumptions that form the basis for major projected income and expense components.

(3) The budget for each year shall be submitted on or before November 30, of the preceding year.

(4) Within 30 calendar days following the end of each quarterly accounting period, the Board shall forward comparisons of the Bank's balance sheet and income statement to the profit plan projections, as well as analysis of any variance, to the Assistant Deputy Comptroller.

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

Article VI
ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) At each of its meetings, the Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall establish and/or maintain a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses booklet, A-ALLL, of the *Comptroller's Handbook*, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant problem credit;
- (d) loan loss experience;
- (e) trends of delinquent and nonaccrual loans;
- (f) concentrations of credit in the Bank; and,
- (g) present and prospective economic conditions.

(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.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

(4) 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 VII
COMPLIANCE COMMITTEE

(1) The Board shall continue the existence of its Compliance Committee, consisting of at least three (3) directors, of which no more than two (2) shall be employees of the Bank or any of its affiliates (as the term "affiliate" is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. The Compliance Committee shall continue to be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall continue to meet at least monthly.

(3) The Compliance Committee shall continue to submit a quarterly, written progress report to the Board setting forth in detail:

- (a) actions taken to comply with each Article of this Agreement; and,
- (b) the results of those actions.

(4) The Board shall continue to forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller. The first such report shall be forwarded no later than October 30, 2001, with subsequent reports being forwarded no more than thirty (30) days following the end of each calendar quarter.

Article VIII
CLOSING

(1) 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.

(2) 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.

(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) 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 Office of the Comptroller of the Currency ("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)(1), 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.

Signed _____
Lawrence Beard
Assistant Deputy Comptroller
Fairview Heights Field Office

10/02/01

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/ Don Allen

Oct. 2, 2001

Don Allen

Date

Charles W. Earnshaw

Date

/s/ Larry Gillingham

10-02-01

Larry Gillingham

Date

/s/ Robert Lynn Hall

10/2/01

Robert Lynn Hall

Date

/s/ Stephen Scott Hall

10-2-01

Stephen Scott Hall

Date

/s/ John Michael Kane

10-2-01

John Michael Kane

Date

/s/ Harold Rosentreter

10-2-01

Harold Rosentreter

Date

Herbert Widdowson

Date