

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

**In the Matter of:** )  
First National Bank in Homer, )  
Homer, Illinois )  
 )  
 )

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (Comptroller or OCC), through his National Bank Examiner, has examined First National Bank in Homer, Homer, Illinois (Bank), and his findings are contained in the Report of Examination for the examination that commenced on February 3, 2003 (ROE).

The Bank, by and through its duly elected and acting Board of Directors (Board), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated December 17, 2003, that is accepted by the Comptroller. By this Stipulation and Consent, which is hereby incorporated by reference, the Bank has consented to the issuance of this Consent Order (Order) by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

STRATEGIC PLAN FOR THE RESOLUTION OF THE BANK

(1) Within fifteen (15) days, the Board shall develop and submit to the Assistant Deputy Comptroller for prior determination of no supervisory objection, a Strategic Plan for the Resolution of the Bank (Strategic Plan), which shall detail the Board’s proposal to sell, merge, or

liquidate the Bank in a manner that will result in no loss or cost to the Federal Deposit Insurance Fund. The Strategic Plan shall ensure that the Bank is under contract to be sold or merged, or begun liquidating under 12 U.S.C. § 181, within sixty (60) days of receipt of no supervisory objection from the Assistant Deputy Comptroller.

(a) If the Board decides to liquidate the Bank, the Board's Strategic Plan called for in this Article shall consist of a satisfactory plan of liquidation which shall include the hiring of an acceptable independent liquidating agent.

(2) Upon receipt of no supervisory objection, the Board shall immediately adopt, implement and thereafter ensure compliance with the Strategic Plan. If the Board fails to submit a Strategic Plan or if the OCC determines, in its sole discretion, that the Board has failed to submit an acceptable Strategic Plan or to implement and ensure compliance with a Strategic Plan which has received no supervisory objection, the OCC may deem such failure to constitute a violation of this Order.

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

## ARTICLE II

### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Effective immediately upon the issuance of this Order, the Board shall require written approval by the Board prior to making any loans or extensions of credit to one borrower in the aggregate amount of twenty-five thousand dollars (\$25,000) or more. Loans or extensions of credit to one borrower shall be determined in accordance with the provisions set forth in 12 U.S.C. § 84 and 12 C.F.R. § 32.

(2) Effective immediately upon the issuance of this Order, the Board shall require written approval by the Board prior to authorizing any workout plan, restructure, or collection decision for any loans or extensions of credit to one borrower in the aggregate amount of twenty-five thousand dollars (\$25,000) or more. Loans or extensions of credit to one borrower shall be determined in accordance with the provisions set forth in 12 U.S.C. § 84 and 12 C.F.R. § 32.

(3) Within thirty (30) days, the Board shall ensure that the Bank has competent management in place in the Senior Loan Officer and President positions (which may include the employment of contractors) to carry out the Board's policies, ensure compliance with this Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(4) Prior to the appointment of any individual to an executive officer position, the Board shall comply with the provisions of 12 C.F.R. § 5.51 and submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the "Changes in Directors and Senior Executive Officers" booklet of the Comptroller's Corporate Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer;  
and
- (c) a written description of the proposed officer's duties and responsibilities.

(5) The Assistant Deputy Comptroller shall have the power of veto over the employment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(6) The requirement to submit information and the prior veto provisions of this

Article are based on the authority of 12 U.S.C. § 1818(b)(6)(E) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

### ARTICLE III

#### CONFLICT OF INTEREST

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank and the Bank's principal shareholders, executive officers, affiliates, and employees (Insiders) and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
- (b) prohibitions on involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) requirements for arms-length dealing in any transactions by Insiders, or their related interests, involving the Bank's sale, purchase, or rental of property and services, or the provision of any Bank product or service to the Bank's customers;
- (d) disclosure of any material interest of any Insider or Insider's related interest in the business of a borrower, an applicant, or other customer of the Bank;
- (e) restrictions on and disclosure of receipt of anything of value by Insiders or Insider's related interests, directly or indirectly, from borrowers, loan

applicants, other customers, or suppliers of the Bank; and

- (f) prohibition against any Insider or Insider's related interest taking advantage of any business opportunity that the Bank could lawfully pursue without first offering such opportunity to the Bank.

(2) Upon adoption, a copy of this conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller and shall be made available in the Bank for review by National Bank Examiners.

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

(4) The Board shall ensure that the Bank maintains current records that:

- (a) identify all Insiders and their related interests;
- (b) identify all bank transactions that benefit, directly or indirectly, any Insider or Insider's related interest.; and
- (c) document the disclosure and approval by a disinterested majority of the Board, including the vote of each director and the bases for any dissenting or abstaining votes; of any transactions that benefit any Insider or Insider's related interest.

(5) Within ninety (90) days, the Board shall conduct a review of the Bank's existing relationships with its Insiders and their related interests, including any situations where any Insider or Insider's related interest has taken advantage of a business opportunity that was lawfully available to the Bank, and shall identify any relationships that should be altered or discontinued to eliminate any conflict of interest or breach of fiduciary duty. The Board shall

ensure that within forty-five (45) days the Bank is properly:

- (a) reimbursed for any excess or improper payments to Insiders and their related interests; and
- (b) compensated for any lost business opportunity resulting from an Insider or Insider's related interest taking advantage of such business opportunity without first offering the opportunity to the Bank.

(6) Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any of its or its directors, executive officers, affiliates, principal shareholders, employees and their related interests, including situations where any Insider or Insider's related interest has taken advantage of a business opportunity that was lawfully available to the Bank, to ensure that they comply with the Conflict of Interest Policy. Documentation supporting these reviews shall be in writing and preserved in the Bank.

#### ARTICLE IV

##### LOAN PORTFOLIO MANAGEMENT

(1) Program to Improve Loan Portfolio Management. The Board shall, within sixty (60) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) procedures to ensure that extensions of credit are granted, by renewal or otherwise, to any borrower only after obtaining and analyzing current and satisfactory credit information;
- (b) procedures to ensure satisfactory and perfected collateral documentation;
- (c) procedures to ensure conformance with loan approval requirements;

- (d) a system to track and analyze exceptions;
- (e) procedures to ensure conformance with Call Report instructions;
- (f) procedures to ensure the accuracy of internal management information systems, including the delinquency status of all extensions of credit;
- (g) a performance appraisal process, including performance appraisals, job descriptions, and incentive programs for loan officers, which adequately consider their performance relative to policy compliance, documentation standards, accuracy in credit grading, and other loan administration matters; and
- (h) procedures to track and analyze concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller and made available in the Bank for review by National Bank Examiners.

(3) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to systems (including policies and procedures) that provide for effective monitoring of:

- (a) early problem loan identification to assure the timely identification and rating of loans and leases based on lending officer submissions;
- (b) previously charged-off assets and their recovery potential;
- (c) compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function;
- (d) adequacy of credit and collateral documentation; and

(e) concentrations of credit.

(4) Beginning January 1, 2004, on a monthly basis thereafter management will provide the Board with written reports including, at a minimum, the following information:

(a) the identification, type, rating, and amount of problem loans and leases;

(b) the identification and amount of delinquent loans and leases;

(c) credit and collateral documentation exceptions;

(d) the identification and status of credit related violations of law, rule or regulation;

(e) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;

(f) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and

(g) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(5) Upon adoption, a copy of the written policies and procedures required by paragraph (3) shall be forwarded to the Assistant Deputy Comptroller and made available in the Bank for review by National Bank Examiners.

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



## ARTICLE V

### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the 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 sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (h) identification of the expected sources of repayment;
- (i) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (j) analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (k) proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding fifty thousand dollars (\$50,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee, shall conduct a review, on at least a monthly basis, to determine:

- (a) the status of each criticized asset;
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a monthly basis (in a format similar to Appendix A, attached hereto).

(6) 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 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 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 written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

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

(8) 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

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions, plans, and/or programs for the review or approval of the Assistant Deputy Comptroller, 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 Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order 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 Order;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;

(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 Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States.

(7) The terms of this Order, 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.

IT IS SO ORDERED, this 17 day of December, 2003.

/s/ Richard A. McElmurry

Richard A. McElmurry  
Assistant Deputy Comptroller  
Champaign Field Office

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

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**In the Matter of:** )  
First National Bank in Homer, )  
Homer, Illinois )  
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**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (Comptroller or OCC) may initiate cease and desist proceedings against First National Bank in Homer, Homer, Illinois (Bank), pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated December 17, 2003 (Order);

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II  
AGREEMENT

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). 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(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.

(3) 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.

ARTICLE III  
WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
  - (b) any and all procedural rights available in connection with the issuance of the Order;
  - (c) all rights to seek any type of administrative or judicial review of the Order;

and

(d) any and all rights to challenge or contest the validity of the Order.

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

*/s/ Richard A. McElmurry*

Richard A. McElmurry  
Assistant Deputy Comptroller  
Champaign Field Office

*12/17/03*

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.

Gladyne M. Fish Date \_\_\_\_\_

Signed  
James K. Fish 12-17-03

Date \_\_\_\_\_

Signed  
Karin L. Fish 12-17-03

Date \_\_\_\_\_

Signed  
J. Richardson Freeman 12-17-03

Date \_\_\_\_\_

Signed  
Judith A. Johnson 12/17/03

Date \_\_\_\_\_



**APPENDIX A**  
**FIRST NATIONAL BANK IN HOMER**  
**HOMER, ILLINOIS**  
**CRITICIZED ASSET REPORT AS OF:**

BORROWER(S):

ASSET BALANCE(S) AND OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

\$        CRITICISM

AMOUNT CHARGED OFF TO DATE

FUTURE POTENTIAL CHARGE-OFF

STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM  
(repayment program should coincide with source of repayment):

*Use this form for reporting each criticized asset that exceeds twenty thousand dollars (\$20,000) and retain the original in the credit file for review by the examiners. Submit your reports monthly until notified otherwise, in writing, by the Assistant Deputy Comptroller.*