

AGREEMENT BY AND BETWEEN  
National Bank of Earlville  
Earlville, IL  
and  
The Comptroller of the Currency

National Bank of Earlville, Earlville, IL (“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 has found unsafe or unsound banking practices relating to credit underwriting and administration and portfolio risk management 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) 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  
Chicago South Field Office  
2001 Butterfield Rd, Ste. 400  
Downers Grove, IL 60515-7915

## ARTICLE II

### CREDIT AND COLLATERAL EXCEPTIONS

(1) Within ninety (90) days, and on a timely basis thereafter, the Board shall obtain current and satisfactory credit information on all loans, leases and other extensions of credit lacking such information, including those listed in the Report of Examination dated as of March 31, 2010 (“ROE”), in any subsequent Report of Examination, in any internal or external loan review, or in any listings of credits lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within ninety (90) days, and on a timely basis thereafter, the Board shall ensure proper collateral documentation is maintained on all extensions of credit and shall correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of credits lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) If despite prudent efforts the Board and management are unable to obtain the credit information or collateral documentation required by paragraphs (1) and (2) of this Article within the time period proscribed, it shall not constitute a violation of this Article so long as the Board

and management document their ongoing efforts to obtain such credit information or collateral documentation, and record their efforts in the respective loan file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only if the Bank's decision is supported by and based upon:

- (a) documentation of the specific reason or purpose for the extension of credit;
- (b) written identification of the expected source of repayment for the extension of credit;
- (c) prudent and reasonable repayment terms that are structured to coincide with the expected source of repayment for the extension of credit;
- (d) documented analysis of current and satisfactory credit information related to the borrower, including cash flow analysis, where loans are to be repaid from operations; and
- (e) documentation of the current value of collateral (with adequate supporting material and in compliance with 12 C.F.R. Part 34 where applicable), and documentation that the Bank's security interest has been properly attached and perfected if applicable.

(5) Failure to obtain the information in paragraph (4)(d) of this Article shall not constitute a violation if, prior to granting the extension of credit, a majority of the full Board (or a delegated committee thereof) certifies in writing the specific reasons why not obtaining and analyzing the information required in paragraph (4)(d) would not be detrimental to the best interests of the Bank. A copy of the Board certification shall be maintained in the Bank's credit

file of the respective borrower(s) for subsequent review by the Comptroller in connection with examinations of the Bank

### ARTICLE III

#### LOAN REVIEW

(1) Within ninety (90) days, the Board shall establish an effective, independent, and on-going credit review system to review, at least semi-annually, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system 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, A-RCR, and the Allowance for Loan and Lease Losses, A-ALLL, booklets of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the identification, type, risk-rating, and amount of loans and leases deserving a risk-rating that is either equivalent to or more severe than "special mention" (as defined in the Rating Credit Risk, A-RCR, booklet of the Comptroller's Handbook);
- (b) the identification and amount of delinquent and nonaccrual loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;

- (e) the identity of the loan officer who originated each loan and lease credit identified and reported in accordance with subparagraphs (a) through (d) of this Article;
- (f) the existence of any concentrations of credit; and
- (g) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) A written description of the loan review system called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(3) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all adverse findings noted in the report(s).

(4) A copy of the reports submitted to the Board pursuant to this Article, as well as documentation of actions taken by the Board in response to the reports, shall be preserved and retained at the Bank.

#### ARTICLE IV

##### LOAN RISK RATING SYSTEM

(1) Within ninety (90) days, and on an ongoing basis thereafter, the Board shall ensure that the Bank's internal risk ratings of commercial credit relationships, including agricultural credits, in excess of \$50,000 (each being a "covered commercial relationship"), as assigned by responsible loan officers and by the Bank's loan review system, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the Rating Credit Risk, A-RCR, booklet of the Comptroller's Handbook. At a minimum, on an ongoing basis, the Board

must ensure that with respect to the assessment of any covered commercial relationship's risk rating:

- (a) the Bank's primary risk rating 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 strength of the borrower's cash flow is determined through 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 reflect an assessment of current 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 Bank's covered commercial relationship credit risk rating analysis is documented and available for review by the Board and the Comptroller upon request.

(2) Within ninety (90) days, and on an ongoing basis thereafter, the Board must ensure that any covered commercial relationship with a high probability of payment default or other well-defined weakness is rated no better than Substandard, unless the covered commercial relationship is secured by marketable securities or cash. Consistent with the guidance in the Rating Credit Risk, A-RCR, booklet of the Comptroller's Handbook, the presence of illiquid collateral or existence of a plan for improvement does not, and a non-government guarantee generally will not, mitigate the probability of default or a well-defined weakness.

## ARTICLE V

### CONCENTRATIONS OF CREDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure the Bank's adherence to a written asset diversification program consistent with safe and sound banking practices. This asset diversification program should reflect consideration of the "Loan Portfolio Management" and "Concentrations of Credits" booklets of the Comptroller's Handbook, and shall include, but not necessarily be limited to, the following:

- (a) a review of the Bank's balance sheet and off-balance sheet obligations to identify any concentrations of credit;
- (b) a written analysis that identifies and assesses the inherent credit, liquidity, and interest rate risk for all concentrations of credit identified in the review performed pursuant to paragraph (a) above;
- (c) policies and procedures to limit, control, and monitor concentrations of credit;

- (d) policies and procedures requiring notification to the Board when concentrations of credit exceed the Bank’s established policy limits, and
- (e) an appropriate action plan approved by the Board designed to reduce the risk of any concentration identified and deemed imprudent as a result of the above written analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the “Concentration of Credits” booklet of the Comptroller's Handbook.

(3) The Board shall ensure that future concentrations of credit are subjected to the analysis required by subparagraph (1)(b) of this Article and if that analysis demonstrates that the concentration subjects the Bank to undue risk, the Board shall take appropriate steps to mitigate such risk.

(4) The Board shall forward a copy of any analysis performed on existing or potential concentrations of credit to the Assistant Deputy Comptroller within five (5) business days of the completion of the Board’s review. The Board shall record the date of its review of the concentration of credit written analysis in the official board minutes.

## ARTICLE VI

### MORTGAGE BANKING OPERATIONS

(1) Within sixty (60) days, the Board shall develop, implement, and ensure the Bank’s adherence to prudent policies, procedures, and controls applicable to the Bank’s mortgage banking related operations. Specifically, the Board’s written policies, procedures and controls must provide for and establish:

- (a) Written policies and procedures to address internal Bank risk tolerance thresholds, specific documentation requirements, and guidance on collateral verifications and lien perfections;
- (b) Procedures for an annual financial review of the third-party business entities involved with the Bank's mortgage banking related operations, including Broker/Lender/Investor;
- (c) Testing of mortgage banking related activity by the Bank's internal audit to ensure compliance with the Bank's policies and applicable regulations;
- (d) Procedures to monitor and reasonably ensure the Bank's counterparties' conformance to the Bank's Mortgage Warehousing Agreement;
- (e) Procedures to monitor and ensure compliance with Board approved risk tolerance thresholds;
- (f) Procedures to perform quality assurance reviews to ensure compliance with applicable laws, regulations, and investor requirements; and
- (g) Procedures requiring reports to be completed and presented, at least annually, to the Bank's Board, detailing the findings from the above noted reviews.

## ARTICLE VII

### MANAGEMENT OVERSIGHT AND SUCCESSION PLANNING

(1) Within ninety (90) days, the Board shall develop a plan to strengthen the Bank's overall management team, and take action to reduce or redirect the Bank President's day-to-day responsibilities. Specifically, the Board shall:

- (a) Re-assess the scope of major operational areas, and Bank activities to be directly overseen on a daily basis by the Bank's President;
- (b) Evaluate and identify individuals currently associated with the Bank who have appropriate expertise and ability to assume additional day-to-day operational responsibilities;
- (c) Evaluate and identify additional training and/or professional developmental programs those individuals currently associated with the Bank may require in order to assume additional day-to-day operational responsibilities;
- (d) Evaluate and identify day-to-day operational duties and responsibilities uniquely assigned to any individual for which no other individual currently associated with the Bank can reasonably or prudently assume. Following identification of any such uniquely assigned duties and responsibilities, the Board shall initiate and ensure adherence to reasonable procedures to either cross-train other individuals currently associated with the Bank to assume these unique day-to-day operational duties and responsibilities or take steps necessary to employ additional officers and Bank staff to prudently manage those activities.

(2) The Board shall also develop a reasonable and viable management succession plan in order to address and mitigate the possibility of the Bank's senior management being unable to fulfill their day-to-day operational duties and responsibilities.

(3) A copy of the Board's plan developed pursuant to this Article shall be submitted to the Assistant Deputy Comptroller for review. Upon receiving a determination of no supervisory

objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the program.

## ARTICLE VIII

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with generally accepted accounting principles. The Bank’s ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006, (OCC Bulletin 2006-47) (“Interagency Statement”) and shall at a minimum include:

- (a) procedures for determining whether a loan or credit is impaired and measuring the amount of impairment, consistent with U.S. generally accepted accounting principles (“GAAP”);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans or credits that are consistent with GAAP, and address the nine qualitative factors set forth in the Interagency Statement;
- (c) reasonable procedures for validating the ALLL methodology;
- (d) a process for analyzing and documenting, for the Board’s review and approval, the amount to be reported for the ALLL in the Consolidated Reports of Condition and Income (“Call Reports”). Any deficiency between the ALLL balance, as determined by the analysis required by this

Article, and the Bank's actual ALLL balance, regardless of the amount of such deficiency, shall be remedied through additional provision expense during the calendar quarter it is discovered, prior to the filing of the applicable Call Report.

## ARTICLE IX

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, 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/her 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) 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, including ensuring that the Bank has necessary processes, personnel, and control systems;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (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 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 Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his 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 Comptroller has any intention to enter into a contract. The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the



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.

<hr/> <i>/s/ Edward J. McConville</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ Mark E. Anderson</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ Robert J. Gast</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ Frederick S. Nelson</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ John A. Landers</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ Fred K. Davis</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ James R. Bann</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/> <i>/s/ Robert Anderson</i> <hr/>	<hr/> February 18, 2011 <hr/> Date
<hr/>	<hr/> Date
<hr/>	<hr/> Date