

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 27 day of May 1992 ("Effective Date"), by and between Fairbury Federal Savings and Loan Association (OTS No. 03462), Fairbury, Illinois ("Institution") for itself, 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 Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 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 and has engaged in unsafe or unsound practices in conducting the business of Institution, thereby providing grounds for the initiation of cease and desist proceedings against Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time from the initiation of cease and desist proceedings against Institution for its failure to comply with statutes, regulations, and unsafe and/or unsound practices set forth in the Institution's Report of Compliance Examination, dated March 2, 1992 ("Compliance Report"), for so long as the Institution is in compliance with the provisions of this Agreement; and

WHEREAS, 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:

Compliance with Regulations

1. The Institution and its controlled subsidiary shall correct existing violations cited in this section and the Compliance Report, and shall not knowingly initiate any action which would result in a violation of, or the aiding and abetting of any violation of:

12 C.F.R. §§ 563e.4(b)(2); and 563e.6(a), pertaining to the Community Reinvestment Act ("CRA").

12 C.F.R. §§ 226.18(b), (d), (e), (g) & (h);
226.19(a)(2), pertaining to the Truth in Lending Act
("TIL").

12 C.F.R. § 563.177(c)(1), (2), (3) & (4); and 31
C.F.R. §§ 103.22(f); 103.27(d); 103.28; and
103.29(a)(1)(i)(B) and (D), pertaining to the Bank
Secrecy Act.

12 C.F.R. § 563.99(c)(1), (2) & (4) and (d)(1), (2) &
(3), pertaining to mortgage loan disclosures and
notices - OTS Regulations.

12 C.F.R. § 1701x(c)(5)(A)(i)&(ii) and (B)(i)&(ii);
and 24 C.F.R. § 3500.21(b)(1) to (b)(6), pertaining to
the Real Estate Settlement Procedures Act.

12 C.F.R. § 202.9(a)(2) and (b)(1), pertaining to the
Equal Credit Opportunity Act.

Compliance Officer

2. Within thirty (30) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS Manager for approval a detailed written job description for the position of Compliance and Community Reinvestment Act Officer ("Compliance Officer"). The job description shall assign this position with the appropriate level of responsibility and authority to monitor the Institution's compliance with nondiscrimination, consumer protection and other public interest laws and regulations, including the CRA. The Compliance Officer shall report directly to the Board.
3. Within thirty (30) calendar days of OTS approval of the job description required in Article 2 of this Agreement, the Board shall appoint a Compliance Officer who meets the requirements of the job description.

Internal Compliance Program

4. Within ninety (90) calendar days from the Effective Date of this Agreement, the Board shall submit to the OTS Manager for review and approval, a written internal compliance program ("Program") developed by the Compliance Officer to measure and monitor the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA. The Program shall address, at a minimum:

- (a) the preparation of a policies and procedures manual covering nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA, for use by the Institution's personnel;
 - (b) provisions for the adequate training of new personnel, and the periodic retraining of existing personnel as to their duties and responsibilities under nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;
 - (c) ongoing procedures, including periodic compliance audits, to monitor the effectiveness of the Institution's compliance with nondiscrimination, consumer protection, and other public interest laws and regulations, as well as performance under the CRA;
 - (d) procedures to ensure that exceptions noted in the compliance audits are corrected and responded to by the appropriate Institution personnel;
 - (e) mechanisms for effective Board oversight; and
 - (f) guidelines for updating the compliance policies and procedures manual.
5. Upon receipt of written approval from the OTS Manager, the Board shall adopt and the Institution shall adhere to the Program in all respects. No modifications to the Program shall be made without the prior written approval of the OTS Manager.

Community Reinvestment Act

6. Within thirty (30) calendar days from the Effective Date of this Agreement, the Board shall revise the CRA statement to list all available credit offered by the Institution and to include the OTS as the federal agency administering compliance with the CRA.
7. The Board shall review the Institution's CRA statement at least annually and institute the changes necessary to ensure the Institution's continued compliance with the CRA.

Regulation Z - Truth In Lending Act

8. Within sixty (60) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy governing the requirements of 12 C.F.R. Part 226 ("Regulation Z"). This policy shall address, at a minimum:
- (a) the assignment of compliance responsibilities to specific officers and/or other staff;
 - (b) provisions for the training of Institution personnel as to the requirements of Regulation Z, e.g. disclosures and interest rate computations;
 - (c) procedures to ensure that index values for adjustable rate mortgage loans are selected on a consistent basis within the forty-five (45) day time period utilized for this purpose; and
 - (d) procedures to monitor the Institution's compliance with Regulation Z.
9. Upon adoption by the Board of the policy required in Article 7, the Institution shall adhere to it in all respects.
10. Within thirty (30) calendar days from the Effective Date of this Agreement, the Institution shall submit to the OTS Manager for review and approval a report detailing the loan groups listed below to determine the number of borrowers affected by inaccurate annual percentage rate ("APR") disclosures and the amount of required restitution. The report shall contain the results of a file search of all such loans and shall list those which contain reimbursable Regulation Z violations. The list shall indicate the borrower's name, loan number, calculation, and amount of restitution and cause of the restitution.

The report shall include information concerning the manner in which the Institution will effect the restitutions. The report and file search will include the following loan groups:

- (a) adjustable rate mortgage loans originated after June 30, 1988, but prior to the acquisition of the loan processor;
- (b) construction mortgage loans originated since June 1988; and
- (c) home improvement loans originated as installment credit.

11. Within thirty (30) calendar days from the OTS Manager's approval of the report required in Article 9, the Board shall ensure that it has been implemented in all respects.
12. As part of the loan file search required by Article 9, the Board shall document that final TIL Statement disclosures were provided to the borrowers when information disclosed in the Early TIL Statements changed and would subsequently effect the APR at the closing of the loan.

Bank Secrecy Act

13. Within sixty (60) calendar days from the Effective Date of this Agreement, the Board shall review and amend the Institution's policies and procedures to establish a system of internal controls and audit procedures designed to ensure compliance with the Financial Recordkeeping and Currency and Foreign Transactions Reporting Act (31 U.S.C. § 5311 et seq.) and the regulations promulgated thereunder at 31 C.F.R. Part 103 (collectively referred to as the "Bank Secrecy Act"). At a minimum, this written program shall address:
 - (a) operating procedures for the monitoring of currency accounts;
 - (b) procedures governing the correct processing and accurate reporting of large currency transactions, excluding transactions of \$10,000;
 - (c) procedures for determining customers whose transactions with the Institution are exempt from the reporting requirements of the Bank Secrecy Act and the maintenance of a list of exempt customers;
 - (d) a comprehensive training program for all tellers and appropriate supervisory personnel to ensure their awareness of and compliance with the requirements of the Bank Secrecy Act;
 - (e) regular, periodic reviews by the Institution's Compliance Officer to ensure adherence to the requirements of the Bank Secrecy Act; and
 - (f) prompt management response and follow-up to all audit exceptions or other recommendations of the Institution's auditor or Compliance Officer.
14. Upon adoption by the Board of the revisions required under Article 12, the Institution shall adhere to them in all respects.

Mortgage Loan Disclosures and Notices

15. Within sixty (60) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy to ensure compliance with the mortgage loan disclosure and notice requirements of 12 C.F.R. § 563.99 pertaining to both mortgage loans and home improvement loans originated as installment credit. The policy shall address, at a minimum:
 - (a) provisions for the training of Institution personnel as to the mortgage loan disclosure and notification requirements necessary to effect compliance; and
 - (b) procedures to monitor the effectiveness of the Institution's compliance with these requirements.
16. Upon adoption by the Board of the policy required in Article 14, the Institution shall adhere to it in all respects.

Real Estate Settlement Procedures Act

17. Within sixty (60) calendar days from the Effective Date of this Agreement, the Board shall adopt a written policy governing the mortgage loan disclosure and notice requirements of 12 C.F.R. § 1701x and 24 C.F.R. Part 3500.
18. Upon adoption by the Board of the policy required in Article 16, the Institution shall adhere to it in all respects.

Equal Credit Opportunity Act

19. Within sixty (60) calendar days from the Effective Date of this Agreement, the Board shall revise the Institution's policy and procedures pertaining to the Equal Credit Opportunity Act. The revised program shall contain procedures to comply with the regulations at 12 C.F.R. Part 202.
20. Upon adoption by the Board of the revised program required by Article 20, the Institution shall adhere to it in all respects.

Closings

21. Although the Board is by this Agreement required to submit certain proposed actions and programs for the review or approval of the OTS Manager, the Board has the ultimate responsibility for proper and sound management of Institution. In exercising and fulfilling its fiduciary duties, the Board may consider the reports of management, counsel, and other agents and consultants of the Board. Nothing contained herein shall require the Board or any member or agent thereof to take any action inconsistent with his or her fiduciary duties.
22. 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 Institution, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OTS from doing so.
23. 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
24. 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 meaning as defined in the rules and regulations adopted by the OTS (including without limitation, Chapter V of Title 12 Code of Federal Regulations). 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.
25. 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.
26. 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 Institution.
27. 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 Dr., Suite 800, Chicago, Illinois 60601, Attn: Katrinka Markowitz. All reports and other documents shall be deemed filed when received by the OTS.

