

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 30th day of December, 2010, by and through the Board of Directors (Board) of Americantrust Federal Savings Bank, Peru, Indiana, OTS Docket No. 03859 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Association is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

WHEREAS, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the June 28, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on December 21, 2010, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Asset Quality.

1. Effective immediately, the Association shall continue to develop an individual written workout plan for each adversely classified loan (Classified Loan) or group of such Classified Loans to any one borrower or loan relationship of two hundred fifty thousand dollars (\$250,000) or greater (Loan Workout Plans).
2. Within forty-five (45) days after the end of each quarter, the Association shall continue to submit a quarterly written asset status report (Quarterly Loan Report) to the Board or a designated committee of the Board. The Board's review of the Quarterly Loan Report shall be documented in the Board or committee meeting minutes. The Quarterly Loan Report shall include, at a minimum:
 - (a) the current status of all Loan Workout Plans;
 - (b) the ratio of all classified assets to Tier 1 (Core) capital plus allowance for loan and lease losses (ALLL); and
 - (c) a comparison of all classified assets at the current quarter end with the preceding quarter.
3. Within fifty (50) days after the end of each quarter, a copy of the Quarterly Loan Report shall be provided to the Regional Director.

Concentrations of Credit.

4. Within thirty (30) days, the Association shall revise its established limits for identifying, monitoring, and controlling risks associated with concentrations of credit (Credit Concentration Policy) to address the comments in the 2010 ROE regarding concentrations of commercial credit. The Credit Concentration Policy shall comply with applicable laws, regulations, and regulatory guidance.

Business Plan.

5. By March 31, 2011, the Association shall submit to the Regional Director an updated business plan for the period beginning April 1, 2011 through March 31, 2013 (Business Plan) that is acceptable to the Regional Director and addresses all corrective actions set forth in the 2010 ROE. At a minimum, the Business Plan shall conform to applicable laws, regulations, and regulatory guidance and include:

- (a) contingent recapitalization strategies to support the Association's capital position;
- (b) operating strategies to improve the Association's core earnings;
- (c) strategies to stress-test and adjust earnings forecasts based on continuing operating results, economic conditions, and credit quality of the loan portfolio;
- (d) quarterly pro forma financial projections (balance sheet and income statement) for the period covered by the Business Plan; and
- (e) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

6. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan. A copy of the final Business Plan shall be provided to the Regional Director within five (5) days after Board approval.

7. Any material modifications¹ to the Business Plan shall receive the prior, written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

8. By March 31, 2012, and each March 31st thereafter, while this Agreement is effective, the Business Plan shall be updated and submitted to the Regional Director pursuant to Paragraphs 5 through 7 above incorporating the Association's budget plan and profit projections for the next two (2) fiscal years taking into account any revisions to the Association's loan, investment and operating policies.

9. Within forty-five (45) days after the close of each quarter, after implementation of the Business Plan, the Board shall review written quarterly variance reports on the Association's compliance with the Business Plan (Variance Reports). The Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken by the Association to address identified variances.

10. A copy of each Variance Report shall be provided to the Regional Director within five (5) days after review by the Board.

¹ A modification shall be considered material under this Paragraph if the Association: (a) plans to engage in any activity that is inconsistent with the Business Plan; (b) plans to exceed the level of any activity contemplated in the Business Plan by more than ten percent (10%).

Flood Disaster Protection Act.

11. Within sixty (60) days, the Association shall revise its policies, procedures and systems related to flood insurance (Flood Program) to address all corrective actions set forth in the 2010 ROE relating to flood insurance and to comply with the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. §§ 4001-4129, as implemented by Part 572 of the OTS's Rules and Regulations, 12 C.F.R. Part 572 (Flood Laws and Regulations), and the applicable regulatory guidance.

Violations of Law.

12. Within thirty (30) days, the Association shall ensure that the violations of Flood Laws and Regulations discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Dividends and Other Capital Distributions.

13. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

Growth.

14. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Regional Director reviews and

approves the Association's Business Plan as required under Paragraph 6 of this Agreement.

Golden Parachute Payments.

15. Effective immediately, the Association shall not make any golden parachute payment² unless, with respect to such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

Directorate and Management Changes.

16. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers³ set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

17. Effective immediately, the Association shall not enter into any new contractual arrangement or renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such Senior Executive Officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

² The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

³ The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

Third Party Contracts.

18. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association⁴ or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a; and (b) received written notice of non-objection from the Regional Director.

Effective Date.

19. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

20. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

21. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

Submissions and Notices.

22. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

⁴ A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

23. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To: the OTS

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) To: the Association

Chairman of the Board
Americantrust Federal Savings Bank
20 West 5th Street
Peru, Indiana 46970
Facsimile: (765) 472-2193

No Violations Authorized.

24. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

25. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

26. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 25 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way

affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

27. The laws of the United States of America shall govern the construction and validity of this Agreement.

28. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

29. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

30. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

31. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

32. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

33. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the

Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

**AMERICANTRUST FEDERAL
SAVINGS BANK**
Peru, Indiana

OFFICE OF THRIFT SUPERVISION

_____/s/_____
Robert F. Fix, Chairman

By: _____/s/_____
Daniel T. McKee
Regional Director, Central Region

Donald P. Cates, Director

_____/s/_____
Timothy J. Comerford, Director

_____/s/_____
Thomas L. Holthouse, Director

_____/s/_____
Timothy J. Jackson, Director

_____/s/_____
Garry D. Kleer, Director

_____/s/_____
Todd M. Smith, Director