

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

FAYETTE COUNTY BANK
Saint Elmo, Illinois

and

FEDERAL RESERVE BANK OF ST. LOUIS
St. Louis, Missouri

Docket No. 15-020-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of Fayette County Bank, Saint Elmo, Illinois (the “Bank”), a state-chartered bank that is a member of the Federal Reserve System, the Bank and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 22, 2015, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution authorizing and directing John Belden to enter into this Agreement on behalf of the Bank, and consenting to compliance with each and every provision of this Agreement by the Bank.

NOW, THEREFORE, the Bank and the Reserve Bank agree as follows:

Board Oversight

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit a written plan to the Reserve Bank to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) the actions that the board of directors will take to improve the Bank's condition and maintain effective control over, and supervision of, the Bank's major operations and activities, including but not limited to, credit risk management, lending and credit administration, asset quality, liquidity, capital, earnings, and compliance;

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations and to monitor exceptions to approved policies and procedures;

(c) the hiring of a chief executive officer with demonstrated experience in management and improvement of banking institutions;

(d) the hiring of a chief credit officer with demonstrated experience in lending and collection activities;

(e) a description of the information and reports that will be regularly reviewed by the board of directors and its committees in their oversight of the operations and management of the Bank, including information on the Bank's credit risk management, lending and credit administration, adversely classified assets, allowance for loan and lease losses ("ALLL"), capital, liquidity, audit, earnings, and compliance; and

(f) the maintenance of adequate and complete minutes of all board and committee meetings, approval of such minutes, and their retention for supervisory review.

Credit Risk Management

2. Within 60 days of this Agreement, the Bank shall submit a written plan to strengthen credit risk management practices acceptable to the Reserve Bank. The plan shall, at a minimum, address, consider, and include:

- (a) the responsibility of the board of directors to establish appropriate risk tolerance guidelines and risk limits;
- (b) the actions that the board of directors will take to improve internal controls and oversight of the Bank's lending function;
- (c) strategies to limit and reduce concentrations of credit; and
- (d) strategies to minimize credit losses and reduce the level of problem assets.

Lending and Credit Administration

3. Within 60 days of this Agreement, the Bank shall submit written lending and credit administration policies and procedures acceptable to the Reserve Bank that shall, at a minimum, address, consider, and include:

- (a) underwriting standards that require documented analyses of: (i) the borrower's repayment sources, global cash flow, and overall debt service ability; and (ii) the value of any collateral;
- (b) standards to require updated financial information and credit analysis;
- (c) steps to ensure compliance with loan documentation and collateral requirements to minimize exceptions;
- (d) procedures to ensure that appraisals conform to accepted appraisal standards, as defined in the Uniform Standards of Professional Appraisal Practice, and comply with the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. § 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Interagency Appraisal and Evaluation Guidelines, dated December 2, 2010 (SR 10-16); and

(e) procedures for determining the accrual status of loans that are consistent with applicable regulatory and accounting guidance.

4. Within 60 days of this Agreement, the Bank shall take all steps necessary to correct the documentation and credit information deficiencies in the Bank's loan files identified in the report of the examination conducted by the Reserve Bank that commenced on March 24, 2014, and the report of the examination conducted by the Reserve Bank and the Illinois Department of Financial and Professional Regulation, Division of Banking that commenced on August 25, 2014 (collectively, the "Reports of Examination"). In all cases where the Bank is unable to obtain needed documentation or credit information, the Bank shall document the actions taken to secure the information and the reasons the information could not be obtained. The Bank shall maintain this documentation in the related credit file for supervisory review.

Loan Grading

5. Within 60 days of this Agreement, the Bank shall submit a written program for the effective grading of the Bank's loan portfolio acceptable to the Reserve Bank. The program shall provide for policies, procedures, and processes for the timely and ongoing grading of loans. The program shall, at a minimum, address, consider, and include:

- (a) standards and criteria for assessing the credit quality of loans, including a description of the factors used to assign appropriate risk grades to loans;
- (b) procedures for the early identification of problem loans;
- (c) procedures to re-evaluate the grading of loans in the event of material changes in the borrower's performance or the value of the collateral;

- (d) procedures to evaluate the grading of all loans assigned less than a pass grade at least quarterly;
- (e) designation of the person(s) responsible for the grading of loans;
- (f) controls to ensure staff's consistent application and adherence to the loan grading system; and
- (g) monthly written reports to senior management and the board of directors that, at a minimum, summarize the Bank's loan grades; describe trends in asset quality; identify the loans that are nonperforming, adversely graded, or identified as needing special attention; describe collateral, collateral value, and date of valuation; and describe the actions taken, or to be taken, by management for strengthening of the quality of any such loans.

Asset Improvement

6. The Bank shall not, directly or indirectly, extend, renew, or restructure any credit to or for the benefit of any borrower, including any related interest of the borrower, whose loans or other extensions of credit are criticized in the Reports of Examination, or in any subsequent report of examination, without the prior approval of a majority of the full board of directors or a designated committee thereof. The board of directors or its committee shall document in writing the reasons for the extension of credit, renewal, or restructuring, specifically certifying that:

- (i) the Bank's risk management policies and practices for loan workout activity are acceptable;
- (ii) the extension of credit is necessary to improve and protect the Bank's interest in the ultimate collection of the credit already granted and maximize its potential for collection;
- (iii) the extension of credit reflects prudent underwriting based on reasonable repayment terms and is adequately secured; and all necessary loan documentation has been properly and accurately prepared and filed;
- (iv) the Bank has performed a comprehensive credit analysis indicating that

the borrower has the willingness and ability to repay the debt as supported by an adequate workout plan, as necessary; and (v) the board of directors or its designated committee reasonably believes that the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit and that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the meetings of the board of directors or its committee, as appropriate, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

7. (a) Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan, relationship, or other asset in excess of \$150,000, including other real estate owned ("OREO"), that are past due as to principal or interest more than 90 days as of the date of this Agreement, are on the Bank's problem loan list, or were adversely classified in the Reports of Examination.

(b) Within 30 days of the date that any additional loan, relationship, or other asset in excess of \$150,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank an acceptable written plan to improve the Bank's position on such loan, relationship, or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank to update each asset improvement

plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, a list of all loan renewals and extensions without full collection of interest in the last quarter, and past due/non-accrual report. The board of directors shall review the progress reports before submission to the Reserve Bank and shall document the review in the minutes of the board of directors' meetings.

Allowance for Loan and Lease Losses

8. (a) The Bank shall, within 30 days from the receipt of any report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Reports of Examination, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit a written program for the maintenance of an adequate ALLL acceptable to the Reserve Bank. The program shall

include policies and procedures to ensure adherence to the ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

Capital Plan

9. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to maintain sufficient capital. The plan shall, at a minimum, address, consider, and include:

(a) its current and future capital needs, including compliance with the applicable requirements of Regulation Q of the Board of Governors, Capital Adequacy of Board-Regulated Entities (12 C.F.R. Part 217);

(b) the adequacy of its capital, taking into account the volume of classified assets, concentrations of credit, the adequacy of the ALLL, current and projected asset growth, and projected earnings; and

(c) the source and timing of additional funds to fulfill its future capital requirements.

10. (a) The Bank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any calendar quarter in which any of the Bank's capital ratios (total risk-based, Tier 1 risk-based, common equity Tier 1 or leverage) fall below the approved capital plan's minimum ratios. Together with the notification, the Bank shall submit a written plan acceptable to the Reserve Bank that details the steps it will take to increase its capital ratios to or above the approved capital plan's minimums.

(b) During the term of this Agreement, the Bank shall not enter into any agreement to sell or purchase any loan or other asset that, in the aggregate, would exceed 5 percent of the Bank's total assets at the end of the prior quarter without the prior written approval of the Reserve Bank.

(c) All requests for prior written approval shall be received at least 30 days prior to the proposed sale or purchase. All requests shall contain, at a minimum, a description of the terms of the proposed sale or purchase, the identity of the proposed purchaser or seller; current and projected information on the Bank's capital, asset quality, earnings, and ALLL needs, and the identification of the sources of funds for any proposed purchase or sale.

Earnings Plan and Budget

11. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank a written business plan and a budget for the remainder of 2015 to improve the Bank's earnings and overall condition. The plan shall, at a minimum, include, provide for, or describe:

(i) an assessment of the Bank's current financial condition, product lines, and market area, and a description of the operating assumptions that form the basis for, and adequately support, major projected income, expense, and balance sheet components;

(ii) a realistic and comprehensive budget for 2015, including income statement and balance sheet projections; and

(iii) a budget review process that analyzes and reports budgeted versus actual income and expense performance.

(b) A business plan and budget for each calendar year subsequent to 2015 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

Regulatory Reporting

12. Within 60 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to ensure that all regulatory reports filed with the Federal Reserve accurately reflect the organization's financial condition and are filed in accordance with applicable instructions for preparation. At a minimum, the plan shall include formal policies and procedures for the preparation and maintenance of regulatory reporting, including, but not limited to:

- (a) responsibilities and deadlines for report preparation;
- (b) procedures to document explanations for adjustments to general ledger accounts and regulatory filings;
- (c) review procedures to ensure the validity and accuracy of final reports; and,
- (d) procedures for the Bank to ensure that financial reports are completed in accordance with GAAP.

Dividends and Distributions

13. (a) The Bank shall not declare or pay any dividends or any other form of payment representing a reduction in capital without the prior written approval of the Reserve

Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors.

(b) Any request to declare or pay dividends must be consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323). All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date and shall contain, at a minimum, current and projected information on earnings, capital, asset quality, and loan loss reserve needs of the Bank, as well as, the source of funding for the proposed dividend.

Funds Management and Interest Rate Risk

14. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank:

(a) a written contingency funding plan acceptable to the Reserve Bank that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning; and

(b) a written plan acceptable to the Reserve Bank to enhance the Bank's interest rate risk management policy and practices. This plan shall, at a minimum, address, consider, and include appropriate parameters governing the economic risk to the Bank's capital due to changes in interest rates, and the interagency guidance on Interest Rate Risk dated January 11, 2010 (SR 10-1).

New Directors

15. (a) The Bank shall take all available actions necessary to increase the number of outside directors, and shall report quarterly to the Reserve Bank on efforts to secure new directors.

(b) For the purposes of this Agreement, the term: (i) “outside director” is defined as an individual, not an employee or executive officer of the Bank or its parent company, who owns less than 10 percent of the outstanding voting stock of the Bank or its parent company and who is not related in any manner to any shareholder who owns 10 percent or more of the outstanding voting stock of the Bank or its parent company or any related interest of such a shareholder; and (ii) “executive officer” is defined as set forth in section 215.2(e) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(e)).

Compliance with Laws and Regulations

16. (a) The Bank shall take all necessary steps to correct all violations of law or regulation cited in the Reports of Examination. In addition, the Bank shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Bank shall obtain the Reserve Bank’s approval and shall comply with the notice provisions of section 32 of the Federal Deposit Insurance Act, as amended (12 U.S.C. § 1831i) (the “FDI Act”) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*). The Bank shall not appoint any individual to the Bank’s board of directors or employ or change the responsibilities of any individual as a senior executive officer if the Reserve Bank notifies the Bank of disapproval.

(c) The Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation’s regulations (12 C.F.R. § 359).

BSA/AML Compliance Program

17. Within 60 days of this Agreement, the Bank shall submit a revised written compliance program acceptable to the Reserve Bank to improve the Bank's compliance with federal laws, rules, and regulations relating to anti-money laundering ("AML") policies, procedures, and processes, including the Bank Secrecy Act (the "BSA") (31 U.S.C. § 5311 *et seq.*); the rules and regulations issued there under by the U.S. Department of the Treasury (31 C.F.R. Chapter X); and the AML requirements of Regulation H of the Board of Governors (12 C.F.R. §§ 208.61 and 208.62) (collectively, the "BSA/AML Requirements"). At a minimum, the revised program shall include:

- (a) improvements to the Bank's system of internal controls to ensure compliance with all recordkeeping and reporting requirements;
- (b) adequate resources for the BSA/AML compliance officer, including sufficient staffing levels, to implement and maintain an effective program for compliance by the Bank with all applicable BSA/AML Requirements and the Bank's internal policies and procedures; and
- (c) effective training for all appropriate Bank personnel and appropriate personnel of affiliates that perform BSA/AML compliance-related functions for the Bank in all aspects of the BSA/AML Requirements and internal policies and procedures.

Currency Transaction Reports

18. (a) Within 60 days of this Agreement, the Bank shall submit a written program acceptable to the Reserve Bank to identify each transaction in currency (deposit, withdrawal, exchange, or other payments or transfer) of more than \$10,000 by, through, or to the Bank ("Currency Transaction") and to file, as necessary, Currency Transaction Reports

(“CTRs”) consistent with sections 1010.311 and 1020.311 of Chapter X of the U.S. Department of the Treasury’s regulations (31 C.F.R. §§ 1010.311 and 1020.311).

(b) Within 45 days of this Agreement, the Bank shall submit a written plan acceptable to the Reserve Bank to review each Currency Transaction from January 1, 2014 to the date of the Agreement (the “Currency Transaction Review”) to ensure that all required CTRs are filed. The plan shall include, but not be limited to:

- (i) the scope of the Currency Transaction Review;
- (ii) the methodology for conducting the Currency Transaction Review;
- (iii) the expertise and resources to be dedicated to the Currency Transaction Review; and
- (iv) the anticipated date of completion of the Currency Transaction Review.

Progress Reports

19. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

Approval and Implementation of Plans, Policies, Procedures, and Programs

20. (a) The Bank shall submit written plans, policies, procedures, and programs that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, 5, 7, 8(c), 9, 10(a), 12, 14, 17, and 18 of this Agreement. Each plan, policy, procedure, or program shall contain a timeline for full implementation of the plan, policy,

procedure, or program with specific deadlines for the completion of each component of the plan, policy, procedure, or program.

(b) Within 10 days of approval by the Reserve Bank the Bank shall adopt the approved plans, policies, procedures, and programs. Upon adoption, the Bank shall promptly implement the approved plans, policies, procedures, and programs, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, procedures, and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Communications

21. All communications regarding this Agreement shall be sent to:

(a) Mr. Timothy Bosch
Vice President
Federal Reserve Bank of St. Louis
P.O. Box 442
St. Louis, Missouri 63166

(b) John P. Belden
Chairman
Fayette County Bank
320 North Main Street
P.O. Box 38
Saint Elmo, Illinois 62458

Miscellaneous

22. Notwithstanding any provision of this Agreement, the Reserve Bank may in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

23. The provisions of this Agreement shall be binding upon the Bank and their institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. § 1813(u)), in their capacities as such, and their successors and assigns.

24. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

25. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors and assigns.

26. The provisions of this Agreement supersede the Prompt Corrective Action Directive, dated October 2, 2014, by and between the Bank and the Board of Governors.

27. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 22nd of June, 2015.

FAYETTE COUNTY BANK

FEDERAL RESERVE BANK
OF ST. LOUIS

By: /s/ John Belden
John Belden
Chairman

By: /s/ Timothy A. Bosch
Timothy A. Bosch
Vice President