

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

Written Agreement by and between  
  
CRETE BANCORPORATION, INC.  
Crete, Illinois  
  
and  
  
FEDERAL RESERVE BANK  
OF CHICAGO  
Chicago, Illinois

Docket No. 10-212-WA/RB-HC

WHEREAS, Crete Bancorporation, Inc., Crete, Illinois (“Crete”), a registered bank holding company, owns and controls First United Bank, Crete, Illinois (the “Bank”), a state-chartered nonmember bank, and various nonbank subsidiaries;

WHEREAS, it is the common goal of Crete and the Federal Reserve Bank of Chicago (the “Reserve Bank”) to maintain the financial soundness of Crete so that Crete may serve as a source of strength to the Bank;

WHEREAS, Crete and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on October 26, 2010, the board of directors of Crete, at a duly constituted meeting, adopted a resolution authorizing and directing Michael Kazmierczak

to enter into this Agreement on behalf of Crete, and consenting to compliance with each and every provision of this Agreement by Crete and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

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

**Source of Strength**

1. The board of directors of Crete shall take appropriate steps to fully utilize Crete’s financial and managerial resources, pursuant to Section 225.4 (a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Federal Deposit Insurance Corporation (the “FDIC”) and the Illinois Department of Financial and Professional Regulation Division of Banking on March 4, 2010 and any other supervisory action taken by the Bank’s federal or state regulator.

**Dividends and Distributions**

2. (a) Crete shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors.

(b) Crete shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Crete and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) Crete shall not make any payment of interest, principal, or other sums on debt owed to insiders without the prior written approval of the Reserve Bank and the Director. For the purposes of the Agreement, “insider” shall include any of Crete’s current or former executive officers, directors, shareholders, members of their immediate families, related interests thereof, or persons acting on their behalf. For purposes of this Agreement, “immediate family” shall be defined as set forth in section 225.41 (b)(3) of Regulation Y of the Board of Governors (12 C.F.R. § 225.41(b)(3)).

(e) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Crete’s capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings, and allowance for loan and lease losses (the “ALLL”); and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Crete must also demonstrate that the requested declaration or payment of dividends is 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).

### **Debt and Stock Redemption**

3. (a) Crete and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All

requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Crete shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Cash Flow Projections**

4. Within 30 days of this Agreement, Crete shall submit to the Reserve Bank a written statement of Crete's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for the first full calendar quarter following the date of this Agreement. For each subsequent calendar quarter Crete shall submit to the Reserve Bank a Cash Flow Projection for that calendar quarter at least thirty days prior to the beginning of that quarter.

### **Affiliate Transactions**

5. (a) Crete shall take all necessary actions to ensure that the Bank complies with sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) and Regulation W of the Board of Governors (12 C.F.R. Part 223) in all transactions between the Bank and its affiliates, including but not limited to, Crete and its nonbank subsidiaries.

(b) Crete and its nonbank subsidiaries shall not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act or Regulation W of the Board of Governors.

## **Compliance with Laws and Regulations**

6. (a) 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, Crete shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Crete 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 FDIC's regulations (12 C.F.R. Part 359).

## **Progress Reports**

7. Within 30 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

## **Communications**

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

(a) Mr. Charles F. Luse  
Assistant Vice President  
Banking Supervision & Regulation  
Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, Illinois 60604

(b) Mr. Michael Kazmierczak  
Chief Financial Officer  
Crete Bancorporation, Inc.  
700 Exchange Street  
Crete, Illinois 60417-3346

**Miscellaneous**

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

10. The provisions of this Agreement shall be binding upon Crete and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

12. 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 Crete, the Bank, any nonbank subsidiary of Crete, or any of their current or former institution-affiliated parties and their successors and assigns.

13. 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 1<sup>st</sup> day of November, 2010.

CRETE BANCORPORATION, INC.

FEDERAL RESERVE BANK  
OF CHICAGO

By: /s/ Michael Kazmierczak  
Michael Kazmierczak  
Chief Financial Officer

By: /s/ Mark H. Kawa  
Mark H. Kawa  
Vice President