

#289



Western Illinois Bancshares, Inc.

200 East Broadway
Post Office Box 440
Monmouth, Illinois 61462-0440
309-734-2265 Fax 309-734-6732
Toll Free 1-888-309-2265
www.mbwi.com

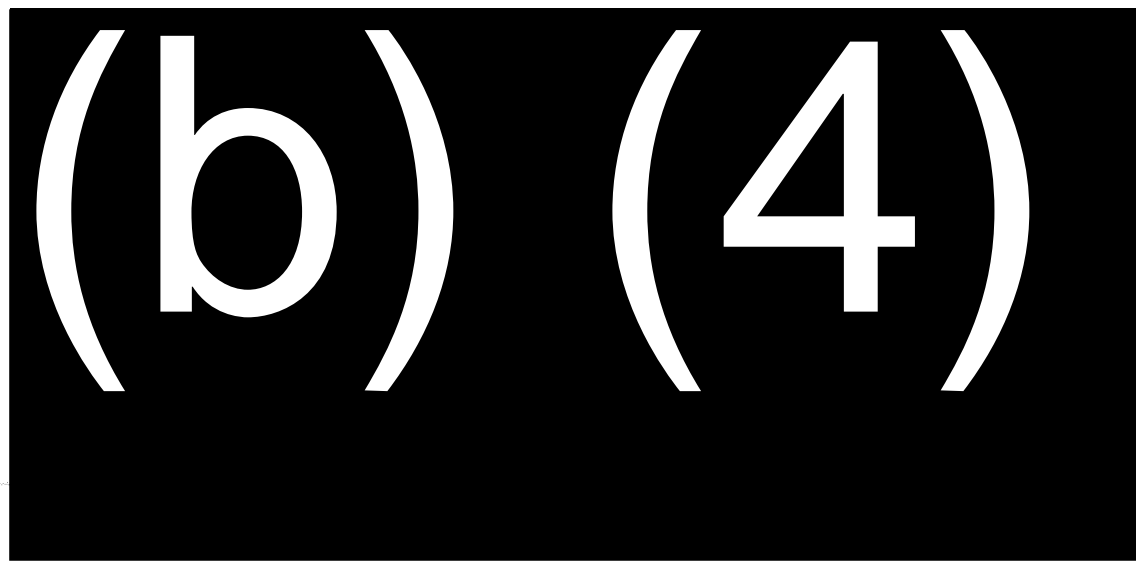
February 27, 2009

Mr. Neil Barofsky
Special Inspector General – TARP
1500 Pennsylvania Avenue, NW, Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky

This letter is in response to your request dated February 6, 2009 regarding our institution's compliance with the TARP Capital Purchase Program.

- (1) Western Illinois Bancshares, Inc. received \$6,855,000 in TARP funds on December 23rd, 2008. During the application process we disclosed our planned use of these funds, which was as follows:



- (2) On February 25, 2009 a joint board meeting of Western Illinois Bancshares, Inc. and Midwest Bank of Western Illinois was held. During this meeting a resolution was passed as part of our compliance with the executive compensation requirements under the EESA and ARRA. A copy of this resolution is attached. We are awaiting additional regulatory guidance in order to make the required certifications. Our Senior Risk Officer will file these certifications prior to March 23, 2009, which is our first deadline under the program.

- 106 South Kirk, Kirkwood, Illinois 61447 • 309-768-2600
- Sixth & Schuyler Streets, Oquawka, Illinois 61469 • 309-867-2441
- 612 West Main Street, Galesburg, Illinois 61401 • 309-341-2274
- 104 Southeast Third Avenue, Aledo, Illinois 61231 • 309-582-5365
- 1120 North Sixth Street, Monmouth, Illinois 61462 • 309-734-7979



Please let me know if you have any questions regarding this response, or require any additional information.

I hereby certify the accuracy of all statements, resolutions and supporting information provided, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Sincerely,

A handwritten signature in cursive script, appearing to read "Christopher J. Gavin".

Christopher J. Gavin
President and CEO
Midwest Bank of Western Illinois

Secretary and Treasurer
Western Illinois Bancshares, Inc.

(b) (6)

Attachment

Resolved, that the Board has examined SEO compensation and bonus, retention and incentive compensation arrangements with the Chief Risk Officer and finds that such arrangements are appropriate compensation for such SEOs in light of the duties and responsibilities of such SEOs and that such arrangements do not encourage SEOs to take unnecessary or excessive risks that threaten the value of the Company and do not encourage the SEOs to manipulate the reported earnings of the Company.

Further Resolved, that until further resolution is passed by the Board, the Company/Bank shall:

- a. require that any bonus and incentive compensation to the senior executive officers (SEOs) and any of the next 20 most highly-compensated employees be subject to recovery or “clawback” by the company if the payments were based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
- b. prohibit any golden parachute payment, as defined in the regulations and guidance issued under section 111(b) of EESA, as amended by Section 70001 of the American Recovery and Reinvestment Act of 2009 (ARRA), to a SEO or any of the next 5 most highly-compensated employees (provided however that the Board reserves the right to reconsider this resolution (a) in light of the Company’s existing obligations under those certain SERP agreements with 3 of the Company’s employees which were in existence prior to the enactment of the recent TARP legislation and (b) after additional clarification by United States Treasury is issued in the form of regulations interpreting the recent legislation);
- c. prohibit any payment of any bonus, retention award or incentive compensation to its most highly-compensated employee, except for (1) payment of long-term stock that does not vest during the period in which any obligation arising from financial assistance provided to Western Illinois Bancshares, Inc. under EESA remains outstanding and has a value in an amount that is not greater than one-third of total amount of annual compensation to such employee, and (2) any bonus payment required pursuant to a written employment contract executed on or before February 11, 2009;

Further Resolved that it is a company-wide policy to limit excessive and luxury expenditures, and to allow only reasonable expenditures for staff development, reasonable performance incentives or other similar measures conducted in the normal course of its business and excessive expenditures for entertainment or events, office and facility renovations, aviation or other transportation services shall be prohibited.

Further Resolved that the Company shall not claim as a deduction any compensation to any SEO in an amount in excess of \$500,000 and the accounting department for the Company and Bank shall report to the Chairman all employee’s receiving in excess of \$500,000 in any year.

Further Resolved, that the Board identifies the following officers to be SEO’s for the Company/Bank for the year 2009

WIBI – Augustin S. Hart III, Christopher J. Gavin

Bank – Chrisopher J. Gavin, Leslie G. Allen