

#2011-164

Also Terminates #2010-144

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

<u>In the Matter of:</u>)	AA-CE-11-81
First National Bank of Grant Park)	
Grant Park, Illinois)	

CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over First National Bank of Grant Park, Grant Park, Illinois (“Bank”).

WHEREAS, the Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated November 28, 2011, that is accepted by the Comptroller.

WHEREAS, by this Stipulation and Consent to the Issuance of a Consent Order, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

NOW, THEREFORE, pursuant to the authority vested in it by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

COMPLIANCE COMMITTEE

(1) Within thirty (30) days of the date of this Order, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one (1) shall be an employee or controlling shareholder of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment,

the names of the members of the Compliance Committee and, in the event of a change of the membership, the name of any new member shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Order.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days of the date of this Order and quarterly thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

(a) a description of the action needed to achieve full compliance with each Article of this Order;

(b) actions taken to comply with each Article of this Order; and

(c) the results and status of those actions.

(4) The Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller within ten (10) days of receiving such report.

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Order shall be forwarded by overnight mail or electronic mail to the following:

Assistant Deputy Comptroller
Chicago – Downers Grove Field Office
Esplanade I, Suite 400
2001 Butterfield Road
Downers Grove, IL 60515-1075
Mark.Zeihen@occ.treas.gov

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) By December 31, 2011, the Bank shall achieve and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Total capital at least equal to eleven-and-one-half percent (11.5%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to eight percent (8.0%) of adjusted total assets.¹

(2) By January 31, 2012, the Board shall submit to the Assistant Deputy Comptroller for his review and prior written determination of no supervisory objection, a written Capital Plan for the Bank covering at least a three-year period. The Capital Plan shall include:

- (a) specific plans for the achievement and maintenance of adequate capital that may in no event be less than the requirements of paragraph (1) of this Article;
 - (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
 - (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
 - (d) identification of the primary sources from which the Bank will achieve and maintain an appropriate capital structure to meet the Bank's needs;
- and

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total assets figure required to be computed for and stated in the bank's most recent quarterly Consolidated Report of Condition and Income (Call Report) minus end-of-quarter intangible assets, deferred tax assets, and credit-enhancing interest-only strips, that are deducted from Tier 1 capital, and minus nonfinancial equity investments for which Tier 1 capital deduction is required pursuant to section 2(c)(5) of appendix A of 12 C.F.R. Part 3.

- (e) contingency plans that identify alternative capital sources should the primary sources identified under paragraph (d) of this Article be unavailable.

(3) Upon receiving the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan, the Board shall adopt the Capital Plan and the Bank shall implement and thereafter ensure adherence to the Capital Plan. The Board shall review and update, as needed, the Bank's Capital Plan at least annually, and more frequently if necessary or if required by the Assistant Deputy Comptroller in writing. Prior to adopting any subsequent amendments or revisions to the Capital Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection.

(4) The Bank may pay a dividend or make a capital distribution only when all of the following conditions are met:

- (a) the Bank will be in compliance with the minimum capital ratios required by Paragraph (1) of this Article immediately after making the dividend or capital distribution;
- (b) the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately after making the dividend or capital distribution;
- (c) the dividend or capital distribution would not cause the Bank to violate 12 U.S.C. §§ 56, 60, or 1831o(d)(1); and
- (d) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

ARTICLE III

CRITICIZED ASSETS

(1) The Board shall take immediate and continuing action to protect the Bank's interest in those assets criticized in the December 31, 2010 Report of Examination, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to protect the bank's interest in or eliminate the basis of criticism of assets (other than owner occupied residential real estate loans or consumer installment loans) criticized in the December 31, 2010 Report of Examination, in any subsequent Report of Examination, by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." Each workout plan shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the current value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including a global cash flow analysis of the guarantor's repayment ability where repayment is dependent in whole or in part on any guarantor; and
- (d) actions designed to eliminate the basis of criticism of or protect the bank's interest in the asset, including timeframes for implementing and evaluating the effectiveness of those actions..

(3) Upon adoption, a copy of the workout plan for each criticized asset equal to or exceeding two-hundred-and-fifty-thousand (\$250,000) dollars shall be submitted to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee thereof, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds two-hundred-and-fifty-thousand (\$250,000) dollars;
- (b) management's adherence to the workout plan adopted pursuant to this Article;
- (c) the status and effectiveness of the workout plan; and
- (d) the need to revise the workout plan or take alternative action.

(5) A copy of each review conducted pursuant to paragraph (4) of this Article shall be placed in the credit file of each affected borrower and a copy of each review shall be submitted to the Assistant Deputy Comptroller on a quarterly basis.

(6) The Bank may extend credit, directly or indirectly, including renewals, modifications, extensions, or capitalization of accrued interest, to a borrower whose loans or other extensions of credit were criticized in the December 31, 2010 Report of Examination, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination, and whose aggregate loans or other extensions of credit exceed two-hundred-and-fifty-thousand (\$250,000) dollars, only if each of the following conditions is met:

- (a) the Board or a designated committee approves the additional extension of credit and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

- (b) a comparison to the workout plan adopted pursuant to paragraph (2) of this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised by the renewal, modification, or extension of additional credit.

(7) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

ARTICLE IV

LOAN RISK RATING SYSTEM

(1) Within sixty (60) days, and on an ongoing basis thereafter, the Board must ensure that the Bank's internal risk ratings of commercial or agricultural credit relationships in excess of \$100,000 (covered relationship), as assigned by responsible loan officers and by any independent loan reviewer, are timely, accurate, and consistent with the regulatory credit classification criteria set forth in the Rating Credit Risk Booklet, A-RCR, of the Comptroller's Handbook. At a minimum, the Board must ensure, on an ongoing basis, that with respect to the assessment of credit risk of any covered relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) if the primary source of repayment is cash flow from the borrower's operations, the determination of the strength of the borrower's cash flow is limited to analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred;
- (c) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the

probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;

- (d) collateral values should reflect a current assessment of value based on actual market conditions and project status;
- (e) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

ARTICLE V

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses (“ALLL”) in accordance with U.S. generally accepted accounting principles (“GAAP”). The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council’s “Interagency Policy Statement on the Allowance for Loan and Lease Losses” dated December 13, 2006, (OCC Bulletin 2006-47) (“Interagency Statement”) and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB ASC 310-10, *Receivables - Overall - Subsequent Measurement – Impairment*);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP (including FASB ASC 450-20,

Loss Contingencies). These procedures shall require the Bank to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in the Interagency Statement;

- (c) procedures for validating the ALLL methodology;
- (d) a process for summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Consolidated Reports of Condition and Income for the ALLL.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted.

ARTICLE VI

BANK SECRECY ACT PROGRAM

(1) Within sixty (60) days, the Board shall revise, implement, and thereafter ensure Bank adherence with policies and procedures to correct weaknesses in the Bank's Bank Secrecy Act and Anti-Money Laundering ("BSA/AML") programs described in the December 31, 2010 Report of Examination.

(2) Upon adoption, a copy of the Bank's revised BSA/AML policies and procedures shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE VII

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule, or regulation cited in the December 31, 2010 Report of Examination or in any subsequent Report of Examination.

(2) Within ninety (90) days after receiving the December 31, 2010 Report of Examination, or any subsequent Report of Examination that cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the Report of Examination and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

ARTICLE VIII

EXTENSIONS OF TIME

(1) If the Bank requires an extension of any timeframe within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief. Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that require an extension of a timeframe within this Order.

(2) All such requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Bank relies. The Assistant Deputy Comptroller's decision concerning a request is final and not subject to further review.

ARTICLE IX

OTHER PROVISIONS

(1) Although the Board is required by this Order to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank Bank and the completeness and accuracy of the Bank's books and records.

(2) It is expressly and clearly understood that if at anytime the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise expressly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose signature appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board or a Board committee is required to ensure adherence to and undertake to perform certain obligations of the Bank, including the obligation to implement plans, policies, or other actions, it is intended to mean that the Board or Board committee shall:

- (a) ensure that the Bank has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions

of this Order, and that Bank management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;

- (b) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order;
- (c) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (d) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The Bank entered into a Formal Agreement dated June 22, 2010. This Order replaces the Formal Agreement in its entirety and therefore, the Formal Agreement is hereby terminated.

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
COMPTROLLER OF THE CURRENCY**

In the Matter of:)	AA-CE-11-81
First National Bank of Grant Park)	
Grant Park, Illinois)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist proceedings against First National Bank of Grant Park, Grant Park, Illinois (“Bank”) pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for unsafe or unsound banking practices and violations of laws and regulations relating to capital levels, criticized assets, loan risk-rating, the allowance for loan and lease losses, BSA/AML compliance, and compliance with consumer laws and regulations;

WHEREAS, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated November 28, 2011 (“Order”) by executing this Stipulation and Consent to the Issuance of a Consent Order;

NOW THEREFORE, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

(3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

ACKNOWLEDGMENTS

(1) The Bank acknowledges that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and acknowledges that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(2) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of his supervisory responsibilities.

ARTICLE III

WAIVERS

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Order;
 - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) or 12 C.F.R. Part 19;
 - (d) all rights to seek any type of administrative or judicial review of the Order; and
 - (e) any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER PROVISIONS

(1) The provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Bank if, at any time, the Comptroller deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set his hand on behalf of the Comptroller.

/s/

Mark Zeihen
Assistant Deputy Comptroller
Chicago – Downers Grove Field Office

November 28, 2011
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

/s/ Betts, John	November 28, 2011 Date
/s/ Collier, Mary Beth	November 28, 2011 Date
/s/ Graves, Doug	November 28, 2011 Date
/s/ Huot, Jerry	November 28, 2011 Date
/s/ Isachsen, Dan	November 28, 2011 Date
/s/ Long, Tom	November 28, 2011 Date
/s/ Reddish, Dennis	November 28, 2011 Date
/s/ Snyder, Mary Jo	November 28, 2011 Date