#2010-231

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

In the Matter of:	**)**	
Western Springs National Bank and Trust	**)**	**AA-EC-10-122**
Western Springs, IL	**)**	

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Western Springs National Bank and Trust, Western Springs, Illinois ("Bank") is "undercapitalized" pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6.

WHEREAS, the Office of the Comptroller of the Currency ("OCC") is authorized, pursuant to 12 U.S.C. § 1831o(e), to take certain supervisory actions against undercapitalized banks; including those available pursuant to 12 U.S.C. § 1831o(e)(5) and (f)(2); and

WHEREAS, on July 1, 2010, the OCC notified the Bank that its Capital Restoration Plan had been disapproved and not accepted, and that the Bank was therefore subject to all provisions of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 applicable to "significantly undercapitalized" banks;

WHEREAS, on November 8, 2010, the OCC issued a Notice of Intent to Issue and Prompt Corrective Action Directive ("Notice") to the Bank pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6; and

WHEREAS, on November 15, 2010, the Bank submitted a written response to the Notice; and

WHEREAS, the OCC has carefully considered the Bank's response to the Notice; and

WHEREAS, the Acting Comptroller finds it necessary in order to carry out the purpose of 12 U.S.C. § 1831o to issue this Prompt Corrective Action Directive ("Directive") pursuant to 12 C.F.R. § 6.21-6.23 requiring the Bank to immediately follow proscriptions and take actions;

NOW THEREFORE, pursuant to the authority in 12 U.S.C. § 1831o, the Acting Comptroller hereby issues this Directive.

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 Office of the Comptroller of the Currency is "the appropriate Federal banking agency" regarding the Bank, pursuant to 12 U.S.C. §§ 1813(q) and 1831o.

(3) The Bank is an "insured depository institution" within the meaning of 12 U.S.C. § 1831o.

(4) This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

(5) A violation of this Directive constitutes a violation of a final order under section 1831o and is subject to the assessment of civil money penalties under 12 U.S.C. § 1818(i)(2)(A).

ARTICLE II

COMPLIANCE COMMITTEE

(1) Within five (5) days of issuance of this Directive, the Bank's Board of Directors ("Board") shall form a Compliance Committee of at least three (3) directors. 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 Director for Special Supervision ("Director"). The Compliance Committee shall be responsible for ensuring compliance with this Directive and the November 19, 2009 Consent Order ("Consent Order").

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

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

(a) a description of the actions to be taken to comply with each Article of this Directive and the Consent Order;

(b) the actions taken to comply with this Directive and the Consent Order; and

(c) the results and status of those actions.

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

(5) All reports or plans that the Bank or Board submits pursuant to this Directive, shall be forwarded by overnight mail and via e-mail to the following:

Director for Special Supervision
Comptroller of the Currency
250 E. Street, S.W.
Mail Stop 7-4
Washington, DC 20219

with a copy to
Comptroller of the Currency
Two Century Centre
1700 E. Golf Road, Suite 800
Schaumburg, IL 60173

(6) The Board shall ensure that the Bank has sufficient processes, personnel, and control systems to effectively implement and adhere to all provisions of this Directive and Consent Order, and that Bank personnel have sufficient training and authority to execute their duties and responsibilities under this Directive and Consent Order.

ARTICLE III

STRATEGIC PLAN

(1) By November 29, 2010, as required by the Matters Requiring Attention of the 2010 Report of Examination, the Board shall forward to the Director for his review and determination of no supervisory objection pursuant to paragraph (5) of this Article, a written

Strategic Plan for the Bank covering at least a three-year period. Within five (5) days following receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and ongoing monitoring) shall implement and thereafter ensure adherence to the Strategic Plan. The Strategic Plan shall establish objectives for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with strategies to achieve those objectives, and shall at a minimum, include:

(a) a mission statement that forms the framework for the establishment of strategic goals and objectives;

(b) the strategic goals and objectives to be accomplished;

(c) a description of the Bank's targeted market(s) and an assessment of the current and projected risks and competitive factors in its identified target market(s);

(d) specific actions to improve Bank earnings and accomplish the identified strategic goals and objectives;

(e) identification of Bank personnel to be responsible and accountable for accomplishing each goal and objective of the Strategic Plan, including specific timeframes;

(f) a financial forecast, to include projections for major balance sheet and income statement accounts, targeted financial ratios, and growth projections over the period covered by the Strategic Plan;

(g) a description of the assumptions used to determine financial projections and growth targets;

(h) an identification and risk assessment of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in the Strategic Plan, with the requirement that the risk assessment of new product lines must be completed prior to the offering of such product lines;

(i) a description of control systems to mitigate risks associated with planned new products, growth, or any proposed changes in the Bank's markets

(j) an evaluation of the Bank's internal operations, staffing requirements, board and management information systems, and policies and procedures for their adequacy and contribution to the accomplishment of the goals and objectives established in the Strategic Plan;

(k) a management employment and succession program to promote the retention and continuity of capable management;

(l) assigned responsibilities and accountability for the strategic planning process, new products, growth goals, or proposed changes in the Bank's operating environment; and

(m) a description of systems to monitor the Bank's progress in meeting the Strategic Plan's goals and objectives.

(2) If the Board's Strategic Plan under paragraph (1) of this Article include a sale or merger of the Bank, the Strategic Plan shall, at a minimum, address steps that will be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed

not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection pursuant to paragraph (5) of this Article. Any plans to sell shares or obligations of the Bank, to be acquired by a depositor institution holding company, or to combine with another depository institution must include the submission of a fully executed binding agreement to the Director within thirty (30) days of issuance of this Directive.

(3) At least monthly, the Board shall review financial reports and earnings analyses prepared by the Bank and evaluate the Bank's performance against the goals and objectives established in the Strategic Plan for that month and year-to-date, as well as the Bank's written explanation of significant differences between actual and projected balance sheet, income statement, and expense accounts for those periods, including descriptions of extraordinary and/or nonrecurring items. The Bank shall submit a copy of these reports to the Director upon completion.

(4) At least quarterly, the Board shall prepare a written evaluation of the Bank's performance against the Strategic Plan, based on the Bank's monthly reports, analyses, and written explanations of any differences between actual performance and the Bank's strategic goals and objectives, and shall include a description of the actions the Board will require the Bank to take to address any shortcomings, which shall be documented in the Board meeting minutes. Within ten (10) days of completing its evaluation, the Board shall submit a copy of the evaluation and Board minutes to the Director.

(5) Prior to adoption by the Board, a copy of the Strategic Plan, and any subsequent amendments or revisions, shall be forwarded to the Director for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory

objection from the Director, the Board shall adopt and the Bank shall immediately implement and adhere to the Strategic Plan.

(6) The Bank may not initiate any action that deviates significantly from the Board approved Strategic Plan, including subsequent amendments or revisions, without a written determination of no supervisory objection from the Director. The Board must give the Director thirty (30) days advance, written notice of its intent to deviate significantly from the Strategic Plan, along with an assessment of the impact of such change on the Bank's condition, including profitability analysis and an evaluation of the adequacy of the Bank's organizational structure, staffing, management information systems, internal controls, and written policies and procedures to identify, measure, monitor, and control risks associated with the change in the Strategic Plan.

(7) For the purpose of this Article, changes that may constitute a significant deviation from the Strategic Plan include, but are not limited to, a change in the Bank's products and services, marketing strategies, marketing partners, business lines, asset growth, underwriting practices and standards, credit administration, account management, collection strategies or operations, fee structure or pricing, accounting processes and practices, or funding strategy, any or which, alone or in aggregate, may have a material impact on the Bank's operations or financial performance; or any other changes in personnel, operations, or external factors that may have a material impact on the Bank's operations or financial performance. For purposes of this paragraph, "personnel" shall include the President, Chief Executive Officer, BSA Officer, Chief Operating Officer, Chief Financial Officer, Chief Credit Officer, Chief Compliance Officer, Risk Manager, Internal Auditor, members of the Board, or any other position subsequently identified in writing by the Director.

(8) The Board shall submit the name, qualifications, proposed contract, and scope of proposed role to the Director for a written determination of no supervisory objection, of any outside firm the Board or Bank anticipates hiring to perform or assist in any current or future Bank functions.

ARTICLE IV

CAPITAL RESTORATION PLAN AND CAPITAL PLAN

(1) Within thirty (30) days, the Bank shall submit to the Director for his review, an acceptable Capital Restoration Plan ("CRP") conforming to 12 U.S.C. § 1831o(e)(2) and 12 C.F.R. § 6.5 and to the criteria set forth in the OCC letter dated July 1, 2010.

(2) Within thirty (30) days of issuance of this Directive, the Board shall forward to the Director for his review and supervisory non-objection, pursuant to paragraph (6) of this Article, a written Capital Plan for the Bank, consistent with the Strategic Plan pursuant to Article III of this Directive, covering at least a three-year period. The Capital Plan shall include:

(a) specific plans for the achievement and maintenance of adequate capital, which may in no event be less than the requirements of paragraph (1) of the Consent Order;

(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, as set forth in the Strategic Plan;

(d) identification of the primary source(s) from which the Bank will maintain an appropriate capital structure to meet the Bank's future needs, as set forth in the Strategic Plan;

(e) contingency plans that identify alternative methods to strengthen capital, should the primary source(s) under paragraph (2)(d) of this Article not be available.

(3) Within five (5) days of receipt of the Director's written determination of no supervisory objection, the Board shall adopt and the Bank (subject to Board review and on-going monitoring) shall immediately implement and ensure adherence to the Capital Plan. The Board shall review and update the Bank's Capital Plan at least annually and more frequently if necessary or if requested by the Director. Revisions to the Bank's Capital Plan shall be submitted to the District for a prior written determination of no supervisory objection.

(4) If the Bank fails to submit an acceptable Capital Plan as required by paragraph (2) of this Article, fails to implement or adhere to a Capital Plan to which the Director has taken no supervisory objection pursuant to paragraph (3) of this Article, or fails to achieve and maintain the minimum capital ratios as required by paragraph (1) of the Consent Order, in the sole discretion of the Director, the Bank shall, upon direction of the Director, within thirty (30) days develop and shall submit to the Director for his review and prior written determination of no supervisory objection a Disposition Plan that shall detail the Board's proposal to sell or merge the Bank, including a transaction pursuant to 12 U.S.C. § 215a-3, or implement a voluntary plan of liquidation of the Bank in accordance with 12 U.S.C. § 181.

(5) In the event that the Disposition Plan submitted by the Bank's Board outlines a sale or merger of the Bank, the Disposition Plan shall, at a minimum, address the steps that will

be taken and the associated timeline to ensure that a definitive agreement for the sale or merger is executed not later than ninety (90) days after the receipt of the Director's written determination of no supervisory objection to the Disposition Plan.

(6) After the Director has advised the Bank in writing that he does not take supervisory objection to the Disposition Plan, the Board shall immediately adopt and implement, and shall thereafter ensure adherence to, the terms of the Disposition Plan after the Board obtains written determination of no supervisory objection from the Director, may be deemed a violation of this Directive, in the exercise of the Director's sole discretion.

ARTICLE V

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Immediately upon issuance of this Directive, the Board shall identify a person to serve as Bank President and Chairman of the Board pursuant to 12 U.S.C. § 76. Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Director written notice, containing the information that 12 C.F.R. § 5.51 requires for senior executive officers. The Director shall have the power to disapprove the appointment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed executive officer.

(2) The Board shall at all times ensure that the Bank has competent management in place on a full-time basis in all executive officer positions to carry out the Board's policies; ensure compliance with this Directive; ensure compliance with applicable laws, rules, and regulations; and manage the day-to-day operations of the Bank in a safe and sound manner.

(3) Within sixty (60) days, the Board (with the exception of any Bank executive officers) shall prepare a written assessment of the capabilities of the Bank's executive officers to

perform present and anticipated duties, taking into account the findings contained in the most recent Report of Examination, and factoring in the officer's past actual performance, experience, and qualifications, compared to their position description, duties and responsibilities, with particular emphasis on their proposed responsibilities to execute the Strategic Plan and correct the concerns raised in the most recent Report of Examination. Upon completion, a copy of the written assessment shall be submitted to the Director.

(4) If the Board determines that an officer's performance, skills or abilities need improvement, the Board will, within thirty (30) days following its determination, require the Bank to develop and implement a written program, with specific time frames, to improve the officer's performance, skills and abilities. Upon completion, a copy of the written program shall be submitted to the Director.

(5) If the Board determines that an officer will not continue in his/her position, the Board shall document the reasons for this decision in its assessment performed pursuant to paragraph (2) of this Article, and shall within sixty (60) days of such vacancy identify and provide notice to the Director, pursuant to paragraph (1) of this Article, of a qualified and capable candidate for the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Order and the safe and sound operation of functions within the scope of that position's responsibility.

(6) For purposes of this Article, "executive officer" shall mean the President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Credit Officer, Chief Compliance Officer, Risk Manager, Internal Auditor, Chairman of the Board, member of the Board, or any other position subsequently identified in writing by the Director.

(7) The Board shall perform, at least annually, a written performance appraisal for each Bank executive officer that establishes objectives by which the officer's effectiveness will be measured, evaluates performance according to the position's description and responsibilities, and assesses accountability for action plans to remedy issues raised in Reports of Examination or audit reports. Upon completion, copies of the performance appraisals shall be submitted to the Director. The Board shall ensure that the Bank addresses any identified deficiencies in a manner consistent with paragraphs (4) and (5) of this Article.

ARTICLE VI

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall immediately require and the Bank shall implement and thereafter adhere to a program for the maintenance of an adequate Allowance for Loan and Lease Losses ("ALLL"). The program shall be consistent with the comments on maintaining a proper ALLL found in the Interagency Policy Statement on the ALLL contained in OCC Bulletin 2006-47 (December 13, 2006) and with "Allowance for Loan and Lease Losses" booklet A-ALLL of the *Comptroller's Handbook*, and any subsequent regulatory releases, and shall incorporate the following:

(a) internal risk ratings of loans;

(b) results of the Bank's independent loan review;

(c) criteria for determining which loans will be reviewed under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 310 *Receivables* (Pre-codification reference: Statement of Financial Accounting Standards ("FAS") Statement No. 114), how impairment will be determined, and procedures to ensure that the analysis of loans complies with ASC 310 requirements;

(d) criteria for determining loan pools under ASC 450 (Pre-codification reference: FAS Statement No. 5) and an analysis of those loan pools;

(e) recognition of non-accrual loans in conformance with generally accepted accounting principles ("GAAP")and regulatory guidance;

(f) loan loss experience;

(g) trends of delinquent and non-accrual loans;

(h) concentrations of credit in the Bank; and

(i) present and projected economic and market conditions.

(2) The program shall provide for a review of the ALLL by the Board at least once each calendar quarter. Any deficiency in the ALLL shall be remedied in the quarter it is discovered, prior to filing the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained of the factors considered and conclusions reached by the Board in determining the adequacy of the ALLL and made available for review by National Bank Examiners.

(3) A copy of the Board's ALLL program, and any subsequent revisions to the program, shall be submitted to the Director for review within thirty (30) days of adoption by the Board.

ARTICLE VII

LOAN WORKOUT DEPARTMENT

(1) Within forty-five (45) days, the Board shall develop, adopt, and implement a written program to strengthen the Bank's Loan Workout Department and collection efforts, consistent with OCC Banking Circular 255. Upon completion, a copy of the program shall be

provided to the Director for review. The Program shall include the following, but not limited to:

(a) policies and procedures to distinguish assets that shall be managed by the Loan Workout Department from assets that shall be managed by the originating unit;

(b) policies and procedures to require assets that remain with the originating unit are managed according to the standards of the Loan Workout Department;

(c) management information systems to track workloads and staffing requirements within the Loan Workout Department; and

(d) management information systems to measure the success of workout activities.

(2) The Board shall ensure that the Loan Workout Department has sufficient authority and receives appropriate staffing and funding support necessary to maintain its sound operation.

ARTICLE VIII

OTHER ACTIONS REQUIRED

(1) Immediately upon issuance of this Directive, the Bank shall not do any of the following without the prior written approval of the Board and the prior written supervisory non-objection of the Director:

(a) enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, or other similar action;

(b) engage in the sale or transfer of any Bank asset or pool of assets exceeding a fair market value of two hundred thousand dollars ($200,000). Any asset sale or transfer less than $200,000 should be reported to the OCC after the sale;

(c) transfer any asset to the holding company or other affiliated party or person;

(d) engage in any transaction for the transfer of funds, the extension of credit, acceptance or transference of risk and/or the conferring of another type of benefit, directly or indirectly, involving any Bank affiliates, as defined in 12 U.S.C. § 371c as if section 371c(d)(1) did not apply, or current or former Bank directors, shareholders, senior executive officers, or their respective family members;

(e) extend any additional credit to any classified borrower without prudent justification;

(f) amend the Bank's charter or bylaws, except to the extent necessary to carry out any other requirement of law, regulation, or order;

(g) increase compensation or other payments, including bonuses, to any employee, agent or independent contractor above the average rate of compensation paid to that employee, agent or independent contractor by the Bank during the twelve (12) months preceding the month in which the Bank became undercapitalized;

(h) pay bonuses or increase compensation to any senior executive officer or director above the average rate of compensation paid to that senior executive officer or director by the Bank during the twelve (12) months preceding the month in which the Bank became undercapitalized.

ARTICLE IX

OTHER PROVISIONS

(1) The provisions of this Directive supplement, and do not replace, the requirements of the November 19, 2009 Consent Order imposed on the Bank.

(2) This Directive is enforceable under 12 U.S.C. § 1818(i). Each provision of this Directive shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the affairs of the Bank.

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

(4) In each instance in this Directive 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) 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 Directive;

(b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Directive;

(c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and

(d) require corrective action be taken in a timely manner on any non-compliance with such actions.

(5) Any time limitations imposed by this Directive shall begin to run from the effective date of this Directive. Such time limitations may be extended in writing by the Director for good cause upon written application by the Board. Such application shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with the Directive within the required timeframe, and be accompanied by relevant supporting documentation and any other facts upon which the Bank relies. The Director's decision concerning a request is final and not subject to further review.

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

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

(8) The Bank may submit a request for modification or recession of this Directive to the OCC, upon a change in circumstance pursuant to 12 C.F.R. § 6.24. During review of any such request, this Directive shall remain in effect.

IT IS SO ORDERED, this 18th day of November, 2010.

/signed .
Henry Fleming
Director for Special Supervision