

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

In the Matter of:) AA-CE-11-70
First National Bank of Illinois)
Lansing, 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 Illinois, Lansing, 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 September 20, 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 to the following:

Assistant Deputy Comptroller
Chicago – Schaumburg Field Office
Two Century Centre – Suite 800
1700 E. Golf Road
Schaumburg, IL 60173-5804

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)¹:

- (a) Total capital at least equal to twelve percent (12%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to eight-and-one-half percent (8.5%) of adjusted total assets.²

(2) Within thirty (30) days, 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;

¹ The requirement in this Order to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

² 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 this part 3.

- (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
- (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 the Bank is compliant with all of the following conditions:

- (a) the Bank is in compliance with the required minimum capital ratios in Paragraph (1) of this Article;
- (b) the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately following the payment of any dividend or capital distribution;

- (c) the Bank is in compliance with 12 U.S.C. §§ 56, 60, and 1831o(d)(1); and
- (d) after receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the Capital Plan developed pursuant to this Article.

ARTICLE III

CRITICIZED ASSETS

(1) The Board shall take immediate and continuing action to protect the Bank's interest in those assets currently criticized or 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 review and as needed revise, and thereafter ensure Bank adherence to individual workout plans designed to 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 cash flow analysis where loans are to be repaid from operations;
- (d) results of any impairment analysis performed;
- (e) discussion of significant developments or changes made since the last workout plan, if any; and
- (f) the proposed specific actions the Bank is taking to eliminate the basis of criticism and the time frame for its accomplishment, including an appropriate and reasonable exit strategy.

(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 monthly 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;
- (b) a written credit and collateral analysis has been performed as required by paragraphs (2)(b) and (c) of this Article; and
- (c) a comparison to the workout plan developed 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) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Article.

ARTICLE IV

CONCENTRATIONS OF CREDIT

(1) Within thirty (30) days, the Board shall review and revise, where appropriate, its existing written credit concentration risk management program to be consistent with the

Concentration of Credit booklet of the Comptroller's Handbook. The program shall include, at a minimum:

- (a) policy guidelines addressing the level and nature of exposures acceptable to the institution and setting appropriate concentration limits;
- (b) procedures for measuring and identifying credit concentrations utilizing various risk characteristics;
- (c) a written analysis of any concentration of credit identified, including an assessment of the inherent credit, liquidity, and interest rate risk;
- (d) policies and procedures to control, monitor, and report concentrations on a regular basis; and
- (e) corrective action plans designed to reduce or mitigate concentrations found to be in excess of Board approved limits. These plans will be submitted to the Board for approval, and thereafter monitored by the Board for compliance until the concentration no longer exceeds established limits.

(2) Prior to adoption, the Board shall submit a copy of the program required by this Article, along with the corrective action plans developed to reduce or mitigate concentrations in excess of the Board approved limits, to the Assistant Deputy Comptroller for his review and prior written determination of no supervisory objection.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE V

APPRAISALS AND EVALUATIONS

(1) The Board shall take immediate action to ensure that the Bank has processes, control systems, and adequate training in place to ensure Bank personnel effectively implement and adhere to the Bank's Real Estate Appraisal Policy.

(2) Within thirty (30) days, the Board shall obtain an appropriate appraisal or evaluation in accordance with 12 C.F.R. Part 34 for any real property securing a loan that was identified in the December 31, 2010 Report of Examination as a violation of 12 C.F.R. Part 34, Subpart C - Appraisals.

(3) All appraisals and evaluations required by paragraph (2) of this Article shall be completed within sixty (60) days, and certification by the Board attesting to the completion of the valuations shall be submitted to the Assistant Deputy Comptroller within fifteen (15) days.

(4) Within sixty (60) days of receipt of any subsequent Report of Examination which cites a violation of any provision of 12 C.F.R. Part 34, Subpart C - Appraisals, the Board shall take immediate action to correct such violation and provide certification attesting to the correction of the violation to the Assistant Deputy Comptroller.

ARTICLE VI

LOAN RISK RATING SYSTEM

(1) Effective immediately, the Board shall ensure that the Bank's internal risk ratings of commercial credit relationships in excess of two-hundred-and-fifty-thousand (\$250,000) dollars ("Covered Relationships"), as assigned by responsible loan officers and by internal loan review, are timely, accurate, and consistent with the regulatory credit classification criteria set

forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. At a minimum, the Board shall ensure, on an ongoing basis, that with respect to the Bank's 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 strength of the borrower's cash flow is determined through analysis of the borrower's historical and projected financial statements, past performance, and future prospects in light of conditions that have occurred or may occur during the term of the loan;
- (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 in any case at least annually; and
- (f) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) Effective immediately, and on an ongoing basis thereafter, the Board shall ensure that any Covered Relationship with a high probability of payment default or other well-defined

weakness is rated no better than Substandard, unless the debt is secured by government guarantees, marketable securities, or cash.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the requirements of this Article.

ARTICLE VII

RETAIL CREDIT ADMINISTRATION

(1) Within thirty (30) days, the Board shall review, revise, and thereafter ensure Bank adherence to a retail credit administration program consistent with the requirements of the *Uniform Retail Credit Classification and Account Management Policy* (OCC Bulletin 2000-20).

The program shall include, but not be limited to:

- (a) timeframes for obtaining current collateral values for real estate secured loans;
- (b) procedures and timeframes for classifying and charging off retail credits; and
- (c) procedures to ensure that extensions, deferrals, renewals, and modifications of retail credits are identified, monitored, and controlled.

(2) Upon adoption, the Board shall submit a copy of the program required by this Article to the Assistant Deputy Comptroller.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems in place to ensure implementation of and adherence to the program developed pursuant to this Article.

ARTICLE VIII

LENDING RESOURCES

(1) By October 31, 2011, the Board shall conduct a study of the lending area to identify whether resources are adequate to ensure problem credits are worked out in an appropriate and timely manner and deficient credit administration practices are corrected.

(2) Upon completion, the Board shall submit a copy of the study required by this Article to the Assistant Deputy Comptroller.

(3) Within ninety (90) days after the study required by this Article is completed, the Board shall fill identified resource needs with qualified individual(s).

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.

(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) Any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(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) 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;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 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 terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements, or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 20th day of September, 2011.

signed

Mary Beth Farrell
Assistant Deputy Comptroller
Chicago – Downers Grove Field Office

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

In the Matter of:)	AA-CE-11-70
First National Bank of Illinois)	
Lansing, 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 Illinois, Lansing, Illinois (“Bank”) pursuant to 12 U.S.C. § 1818(b), through the issuance of a Notice of Charges, for unsafe or unsound banking practices relating to capital levels, criticized assets, concentrations, loan risk rating, retail credit administration, lending resources, and appraisals and evaluations;

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 September 20, 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).

(4) The said Order shall cause the Bank to remain in “troubled condition,” as set forth in 12 C.F.R. § 5.51(c)(6), unless otherwise informed in writing by the Comptroller. In addition, the said Order shall cause the Bank not to be designated as an “eligible bank” for purposes of 12 C.F.R. § 5.3(g), unless otherwise informed in writing by the Comptroller.

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.

signed
Mary Beth Farrell
Assistant Deputy Comptroller
Chicago – Downers Grove Field Office

September 20, 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/
Brian L. Gaspardo

September 27, 2011
Date

/s/
Joseph T. Morrow

September 20, 2011
Date

/s/
Christopher M. Morrow

September 20, 2011
Date

/s/
Steven C. Pelke

September 20, 2011
Date

/s/
Terrence M. Rubino

September 20, 2011
Date

/s/
Gilbert W. Rynberk

September 20, 2011
Date

/s/.
Gilbert J. Rynberk, Jr.

September 20, 2011
Date