

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

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**In the Matter of:** )  
Western Springs National Bank )  
Western Springs, Illinois )

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**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has supervisory authority over Western Springs National Bank, Western Springs, Illinois (“Bank”).

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 19, 2009, that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller.

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

HIGHER MINIMUM CAPITAL RATIOS

(1) The Bank shall achieve by March 31, 2010, and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to eight percent and one quarter percent (8.25%) of adjusted total assets.<sup>1</sup>
- (b) Total Risk Based Capital of at least eleven percent (11%) of risk-weighted assets.

(2) 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).

(3) Prior to paying any dividends, the Board shall provide a written request to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

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

## ARTICLE II

### RETURNED CHECKS, CASHIERS CHECKS, WIRE TRANSFERS AND GENERAL LEDGER RECONCILEMENTS

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure adherence to a written policy that:

- (a) Prohibits the holding of checks or other items as cash items for more than thirty (30) days;

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<sup>1</sup> Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets.

- (b) Requires the Bank to charge back to deposit accounts, or reverse any loan payments based on, any checks or other items that have been returned to the Bank as unpaid within thirty (30) days of the Bank's original receipt of the returned item;
- (c) Prohibits the Bank from issuing cashiers checks or wiring funds on behalf of any person or entity unless the cashiers check or wire transfer is first paid for by the remitter or requester with collected funds;
- (d) Ensures appropriate collection activities are pursued and the status of collection efforts are reported to the Board with respect to outstanding and/or charged off cash items; and
- (e) Requires that all due from bank account reconciling items and other general ledger reconciling items over \$25,000 that have been outstanding for forty-five (45) days or more be reported to the Board at least monthly.

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

### ARTICLE III

#### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the Report of Examination dated March 31, 2009 ("ROE"), 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 sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to individual workout plans designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or 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 borrower's repayment ability; and
- (d) actions designed to eliminate the basis of criticism of and 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 plans for all criticized assets equal to or exceeding two hundred and fifty thousand dollars (\$250,000) shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board, or a designated committee, 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 dollars (\$250,000);
- (b) management's adherence to the workout plans adopted pursuant to this Article;

- (c) the status and effectiveness of the plans; and
- (d) the need to revise the plans or take alternative action.

(5) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(6) The Bank may extend credit, directly or indirectly, including renewals or extensions, to a borrower whose loans or other extensions of credit are criticized in the ROE, 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 exceed two hundred and fifty thousand dollars (\$250,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the plans adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(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

### CONCENTRATIONS OF CREDIT

(1) By March 31, 2010, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written asset diversification program consistent with the “Loan Portfolio Management” booklet of the Comptroller's Handbook. The program shall include, but not necessarily be limited to, the following:

- (a) an analysis of the risk of the Bank's concentrations of credit, including but not limited to the Bank's concentration of Commercial Real Estate loans;
- (b) establishment of limits for the concentrations relative to capital; and
- (c) an action plan approved by the Board to reduce the risk of any concentration deemed imprudent in the above analysis.

(2) For purposes of this Article, a concentration of credit is as defined in the “Loan Portfolio Management” booklet of the Comptroller's Handbook, and Commercial Real Estate loans are as defined in the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices dated December 12, 2006.

(3) A copy of the program, or any subsequent amendments or changes to the program, shall be forwarded to the Assistant Deputy Comptroller for review and determination of no supervisory objection.

(4) Until the Board has established a limit for its concentration in Commercial Real Estate loans and has received a determination of no objection from the Assistant Deputy Comptroller pursuant to paragraph (3) of this Article, the Bank shall not originate any new Commercial Real Estate loans. This restriction shall not apply to:

- (a) the renewal, extension, or restructuring of any loan, provided no new funds are advanced, or
- (b) the extension of additional credit in connection with the workout of a classified asset, provided such extension is consistent with the Interagency Policy Statement on Prudent Commercial Real Estate Loan Workouts dated October 30, 2009 and in compliance with the provisions of Article III and Article VIII of this Agreement.

(5) The Board shall ensure that all concentrations of credit are subjected to the analysis required by subparagraph (a) of paragraph (1) of this Article at least annually, and, if that analysis demonstrates that the concentration subjects the Bank to undue risk, the Board shall take appropriate steps to mitigate such risk.

(6) 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

### PROBLEM LOAN IDENTIFICATION, RISK RATINGS & NONACCRUAL RECOGNITION

(1) By March 31, 2010, the Board must ensure that the Bank's internal risk ratings for commercial-related credit relationships in excess of \$250,000 ("covered relationship"), as assigned by responsible loan officers and the independent loan review, are timely, accurate and consistent with the regulatory classifications of credit criteria set forth in the *Rating Credit Risk* Booklet 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;
- (b) If the primary source of repayment is cash flow from the borrower's operations, the strength of 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;
- (c) Collateral, nongovernment guarantees and other similar credit risk mitigants that affect potential loss in the event of default are taken into consideration only after 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 product status;
- (e) Credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually;
- (f) The credit risk rating analysis is documented (in the file) and available for review by the Board and the OCC upon request; and
- (g) Loans and other assets are timely placed on nonaccrual by the lending officers in accordance with the guidelines set forth in the Call Report Instructions.

(2) By March 31, 2010, and on an ongoing basis thereafter, the Board must 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 loan is secured by marketable collateral, or cash. Consistent with the guidance in the "Rating Credit Risk Booklet," A-RCR of

the Comptrollers Handbook, the presence of illiquid collateral or existence of a plan for improvement does not, and a nongovernment guaranty generally will not, mitigate the probability of default or a well-defined weakness.

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

## ARTICLE VI

### INDEPENDENT LOAN REVIEW

(1) The Board shall, within sixty (60) days after receipt of no supervisory objection from the Assistant Deputy Comptroller pursuant to paragraph (2) of this Article, appoint or employ a capable person(s) or firm to conduct an independent review and identification of the Bank's problem loans and leases (the "Independent Reviewer").

(2) The Board shall, within ninety (90) days, submit the resume and qualifications of the person(s) or firm selected by the Board to conduct an independent review and identification of the Bank's problem loans and leases (the "Independent Reviewer"), including the proposed scope of their loan review engagement to the Assistant Deputy Comptroller for review and determination of no supervisory objection. The engagement shall provide for the periodic (and not less than annual) review of the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The engagement shall provide for a written report to be filed with the Board after each review, and the Independent Reviewer shall use a loan and lease grading system consistent with the guidelines set forth in "Rating Credit Risk" and "Allowance for Loan and Lease Losses" booklets of the Comptroller's Handbook. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of the Article;
- (f) concentrations of credit;
- (g) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (h) loans and leases not in conformance with the Bank's lending and leasing policies.

(3) The Board shall evaluate the independent loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(4) 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

### CREDIT AND COLLATERAL INFORMATION

(1) The Bank shall, within ninety (90) days, obtain and analyze current and satisfactory credit information on all loans identified during the current examination by the National Bank Examiners lacking such information.

(2) The Bank shall obtain and analyze current and satisfactory credit information on all loans identified in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners within ninety (90) days of receipt of such Report or listing.

(3) The Bank shall, within ninety (90) days, ensure proper collateral documentation is maintained on all loans and correct each collateral exception identified during the current examination by the National Bank Examiners,

(4) The Bank shall correct each collateral exception identified in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners within ninety (90) days of receipt of such Report or listing.

(5) If the Bank is unable to obtain the credit information or collateral documentation required by paragraphs (1), (2), (3), or (4) of this Article within the established timeframes, the Bank shall document its efforts to obtain such information or documentation, and maintain the documentation of its efforts in the loan file.

## ARTICLE VIII

### CREDIT UNDERWRITING

(1) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;

- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from business operations; and
- (e) Documenting with adequate supporting material, the value of collateral and noting the perfection of the bank's lien.

(2) Failure to obtain the information required by paragraph (4)(d) of this Article shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information required by paragraph (4)(d) would be detrimental to the best interests of the Bank. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s) and a centralized file for review by the Board, senior management and examiners.

(3) The certification exception granted by paragraph (2) of this Article shall not apply to any loan or other extension of credit to any insider, as defined by 12 C.F.R. § 215.2(h).

(4) The Board shall ensure the Bank has policies, processes, personnel, and control systems to ensure compliance with this Article.

## ARTICLE IX

### REAL ESTATE VALUATIONS

(1) Within sixty (60) days, the Board shall obtain a current appraisal or evaluation, as applicable, of the real estate securing each of the loans on the list provided to management dated November 2, 2009 and listed in the Violations of Law section of the ROE.

(2) The appraisals obtained pursuant to paragraph (1) above shall conform to the minimum appraisal standards set forth at 12 C.F.R. § 34.44 and the evaluations shall conform to

the guidelines for evaluations set forth in the Interagency Appraisal and Evaluation Guidelines dated October 27, 1994. (Also, see Frequently Asked Questions on the Appraisal Regulations and the Interagency Statement on Independent Appraisal and Evaluation Functions dated March 22, 2005.)

(3) Within thirty (30) days of receipt of each of the appraisals or evaluations obtained pursuant to paragraph (1) above, the Board shall review and evaluate management's reassessment of the risk rating and accrual status of such loan, as well as the amount of impairment, if any, in accordance with FASB Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan.

(4) Within sixty (60) days, the Board shall develop, implement and ensure adherence to a process to ensure that real estate collateral is reappraised in a timely manner to support problem loan identification, work-out strategies, identification of impairment, and impact to ALLL. The process should include criteria for when appraisals should be updated, such as when a credit deteriorates, when there are materially negative market trends, or when stress testing indicates concentrations are increasingly susceptible to market variances.

(5) Within sixty (60) days, the Board shall develop, implement and ensure adherence to criteria for obtaining appraisals or evaluations for transactions that are not otherwise covered by regulatory requirements.

## ARTICLE X

### CONFLICT OF INTEREST POLICY

(1) By December 31, 2009, the Board shall amend, and thereafter ensure Bank adherence to its Conflict of Interest Policy. The amendments shall include, at a minimum,

provisions stating that all directors, officers, and employees of the Bank or the Bank's holding company:

- (a) must not advance his or her own personal or business interests, or those of others with whom he or she has a personal or business relationship, at the expense of the Bank;
- (b) must, if he or she has an interest in a matter or transaction before the Board:
  - (i) disclose to the Board all material nonprivileged information relevant to the Board's decision on the matter or transaction, including the existence, nature, or extent of his or her interests and the facts known to him or her as to the matter or transaction under consideration;
  - (ii) refrain from participating in the Board's discussion of the matter or transaction; and
  - (iii) recuse him or her self from voting on the matter or transaction; and
- (c) must report all of his or her related interests, as defined at 12 C.F.R. § 215.2(n), to the Board on an annual basis.

(2) Upon adoption of the amendments, a copy of the amended policy shall be forwarded to the Assistant Deputy Comptroller for review and determination of no objection.

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

## ARTICLE XI

### FORENSIC AUDIT TO VERIFY ACCURACY AND COMPLETENESS OF BOOKS AND RECORDS

(1) By December 31, 2009, the Bank shall engage the services of a forensic auditor to verify, from January 1, 2006 to the present, the accuracy and completeness of the Bank's books and records for the following accounts at the Bank:

- (a) General Ledger Account # 10511 Commercial Loan Summary
- (b) General Ledger Account # 30390 Reserve – General Operating Expense, and
- (c) General Ledger Accounts # 30391 Reserve for Loan Administration

(2) Prior to engaging the forensic auditor, the Bank shall submit the name and qualifications of the forensic auditor and the proposed engagement contract to the Assistant Deputy Comptroller for a written prior determination of no supervisory objection. The audit must be completed within sixty (60) days of receipt of the Assistant Deputy Comptroller's nonobjection. The results of the audit will be forwarded to the Assistant Deputy Comptroller and shall include as needed any changes to existing bank accounting practices.

## ARTICLE XII

### CLOSING

(1) Although the Board is by this Order required 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 any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon it 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 hand 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 is required to ensure that certain actions are taken, and to ensure adherence to certain programs, policies, and procedures, it is intended to mean that the Board 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 Agreement;
- (b) require Bank management to report on a timely basis on the results of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) analyze the underlying reasons for any non-compliance with such actions in a timely manner; and

(d) initiate corrective action deemed appropriate in a timely manner for 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 19<sup>th</sup> day of November, 2009.

/s/

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Thomas C. Munz  
Assistant Deputy Comptroller  
Chicago North Field Office

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

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**In the Matter of:** )  
Western Springs National Bank )  
Western Springs, Illinois )

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

The Comptroller of the Currency of the United States of America (“Comptroller”) may initiate cease and desist proceedings against Western Springs National Bank, Western Springs, Illinois (“Bank”) pursuant to 12 U.S.C. § 1818(b) for unsafe and unsound banking practices relating to credit underwriting and administration and violations of 12 U.S.C. §§ 84, 375a and 375b.

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated November 19, 2009 (“Order”);

In consideration of the above premises, 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 XIII

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) Upon the issuance of this Order:

- (a) the Bank will not be an “eligible bank” pursuant to 12 C.F.R. § 5.3 (g)(4) for the purposes of 12 C.F.R. Part 5 regarding rules, policies, and procedures for corporate activities, unless otherwise informed in writing by the OCC;
- (b) the Bank will be subject to the limitation of 12 C.F.R. § 5.51(c)(6)(ii) for the purposes of 12 C.F.R. § 5.51 requiring OCC approval of a change in directors and senior executive officers, unless otherwise informed in writing by the OCC; and
- (c) the Bank will be subject to the limitation on golden parachute and indemnification payments provided by 12 C.F.R. § 359.1(f)(1)(ii)(C) and 12 C.F.R. § 5.51(c)(6)(ii), unless otherwise informed in writing by the OCC.

#### ARTICLE XIV

##### Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) The Bank further agrees 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 agrees 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.

(3) 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 XV

### 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), 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.



