

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

_____ )	
In the Matter of )	Order No.: CN 10-30
)	
<b>PNA BANK</b> )	Effective Date: August 13, 2010
)	
Downers Grove, Illinois )	
OTS Docket No. 13824 )	
_____ )	

**ORDER TO CEASE AND DESIST**

**WHEREAS**, PNA Bank, Downers Grove, Illinois, OTS Docket No. 13824 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to Issuance of an Order to Cease and Desist (Stipulation); and

**WHEREAS**, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

**WHEREAS**, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

**NOW, THEREFORE, IT IS ORDERED that:**

**Cease and Desist.**

1. The Association and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward, causing, bringing about, participating in, counseling,

or aiding and abetting the unsafe or unsound practices that resulted in the Association operating with: (a) an excessive level of adversely classified and delinquent loans; (b) an inadequate level of capital protection for the volume, type and quality of assets held by the Association; and (c) inadequate earnings to fund growth and augment capital as described in the OTS Report of Examination of the Association dated November 30, 2009 (2009 ROE).

**Capital.**

2. By September 30, 2010, the Association shall have and maintain: a Tier 1 (Core) Capital Ratio equal to or greater than eight percent (8%) after the funding of an adequate Allowance for Loan and Lease Losses (ALLL); and a Total Risk-Based Capital Ratio equal to or greater than twelve percent (12%).<sup>1</sup>

3. Within fifteen (15) days after: (a) the Association fails to meet the capital requirements prescribed in Paragraph 2; (b) the Association fails to comply with the Capital and Business Plan prescribed in Paragraph 6; or (c) any written request from the Regional Director, the Association shall submit a written Contingency Plan that is acceptable to the Regional Director.

4. The Contingency Plan shall detail the actions to be taken, with specific time frames, to achieve one of the following results by the later of the date of receipt of all required regulatory approvals or sixty (60) days after the implementation of the Contingency Plan: (a) merger with, or acquisition by, another federally insured depository institution or holding company thereof; or (b) voluntary dissolution by filing an appropriate application with the OTS in conformity with applicable laws, regulations and regulatory guidance.

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<sup>1</sup> The requirement in Paragraph 2 to have and maintain a specific capital level means that the Association may not be deemed to be “well-capitalized” for purposes of 12 U.S.C. §1831o and 12 C.F.R. Part 565, pursuant to 12 C.F.R. §565.4(b)(1)(iv).

5. Upon receipt of written notification from the Regional Director, the Association shall implement and adhere to the Contingency Plan immediately. The Association shall provide the Regional Director with written status reports detailing the Association's progress in implementing the Contingency Plan by no later than the first (1<sup>st</sup>) and fifteenth (15<sup>th</sup>) of each month following implementation of the Contingency Plan.

**Capital and Business Plan.**

6. By September 30, 2010, the Association shall amend the Business Plan previously submitted to the OTS on July 8, 2010 to include, if necessary, capital enhancement strategies necessary for the Association to maintain capital at the levels prescribed in Paragraph 2. At a minimum, the Capital and Business Plan shall:

- (a) detail the Association's capital preservation and enhancement strategies with specific narrative goals;
- (b) address the requirements and restrictions imposed by this Order relating to capital under two (2) different forward-looking scenarios involving progressively stressed economic environments;
- (c) include operating strategies to achieve increased core deposits and realistic core earnings;
- (d) include detailed quarterly financial projections (balance sheet and income statement), including Tier 1 (Core) and Total Risk-Based Capital Ratios, for the period covered by the Capital and Business Plan; and
- (e) identify all relevant assumptions made in formulating the Capital and Business Plan and include a requirement that documentation supporting such assumptions be retained by the Association.

7. Upon receipt of written notification from the Regional Director that the Capital and Business Plan is acceptable, the Association shall implement and adhere to the Capital and Business Plan. A copy of the Capital and Business Plan shall be provided to the Regional Director within seven (7) days after Board approval.

8. Any material modifications<sup>3</sup> to the Capital and Business Plan must receive the prior written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

9. By September 30, 2011, and each September 30th thereafter, the Capital and Business Plan shall be updated and submitted to the Regional Director pursuant to Paragraph 6 above incorporating the Association's budget plan and profit projections for the next two (2) fiscal years taking into account any revisions to the Association's loan, investment and operating policies.

**Capital and Business Plan Variance Reports.**

10. Within forty-five (45) days after the end of each quarter, after implementation of the Capital and Business Plan, the Board shall review written quarterly variance reports on the Association's compliance with its Capital and Business Plan (Variance Reports). The Board's review of Variance Reports and compliance with the Capital and Business Plan shall include a review of the internal and external risks affecting the Association's ability to successfully implement the Capital and Business Plan. The minutes of the Board meeting shall fully document the Board's review and discussion. The Variance Reports shall:

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<sup>3</sup> A modification shall be considered material under this Section of the Order if the Association plans to: (a) engage in any activity that is inconsistent with the Capital and Business Plan; or (b) exceed the level of any activity contemplated in the Capital and Business Plan.

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Capital and Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken by the Association to address identified variances.

11. A copy of each Variance Report shall be provided to the Regional Director within seven (7) days after the Board meeting at which it was reviewed and discussed.

**Asset Quality.**

12. By August 31, 2010, the Association shall develop an individual written specific workout plan for each adversely classified asset and asset designated as Special Mention (Criticized Asset) or group of such Criticized Assets to any one borrower or loan relationship of three hundred thousand dollars (\$300,000) or greater (collectively, Asset Workout Plans).

13. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

- (a) the current status of all Asset Workout Plans;
- (b) the ratio of Criticized Assets to Tier 1 (Core) capital plus ALLL;
- (c) a comparison of classified assets and Criticized Assets at the current quarter end with the preceding quarter;
- (d) a discussion of the actions taken during the preceding quarter to reduce the Association's level of Criticized Assets; and

(e) any recommended revisions or updates to the Asset Workout Plans.

14. Within sixty (60) days after the end of each quarter, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

**Restriction on Lending to Classified Borrowers.**

15. Effective immediately, the Association shall not extend, directly or indirectly, without prior written Regional Director non-objection, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit from the Association that has been charged off or classified, in whole or in part, "Loss" and is uncollected. The Association's expenses incurred in connection with its real estate owned (REO), including in-substance foreclosures, are not covered by this Paragraph.

16. Effective immediately, the Association shall not make any additional extensions of credit, directly or indirectly, to any borrower whose loans are adversely classified "Substandard" unless prior to extending additional credit pursuant to this Paragraph 16, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board or a designated committee thereof, who shall certify in writing:

- (a) why the extension of such credit is in the best interests of the Association based on such underwriting information as updated borrower financial statements and a current appraisal, if applicable;
- (b) that an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended; and
- (c) that the signed certification shall be made a part of the minutes of the meeting of the Board or designated committee with a copy retained in the borrower's credit file.

**Allowance for Loan and Lease Losses.**

17. By September 30, 2010, the Association shall revise its policies, procedures, and methodology relating to the timely establishment and maintenance of loan loss provisions (ALLL Policy) to ensure that it addresses the corrective action set forth in the 2009 ROE relating to ALLL and complies with applicable laws, regulations, and regulatory guidance.

18. Within thirty (30) days after the end of each quarter, beginning with the quarter ending September 30, 2010, the Association shall prepare for the Board a written report analyzing the adequacy of the Association's ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including, but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its Thrift Financial Report (TFR) with the OTS. A copy of the Quarterly ALLL Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within sixty (60) days after the end of each quarter.

**External Loan Review.**

19. Within sixty (60) days, the Association shall retain a consulting firm acceptable to the Regional Director to perform a comprehensive external loan review (Loan Review). The Loan Review shall: (a) assign a credit quality rating to each loan reviewed; and (b) evaluate the loan underwriting and loan administration for each loan reviewed.

20. Within one hundred twenty (120) days, the Loan Review shall be completed and a written report covering each area set out in Paragraph 19 shall be prepared by the retained consulting firm that shall be delivered simultaneously to the Board and Regional Director. The

Board shall review the findings of the report, adopt revisions to the Association's policies and procedures as appropriate, and submit to the Regional Director a copy of Board meeting minutes addressing its response to the report within sixty (60) days of the Board's receipt of the report.

**Policy and Procedure Deficiencies.**

21. Within ninety (90) days, the Association shall address all policy and procedure deficiencies contained in the Management/Administration section of the 2009 ROE.

**Dividends and Other Capital Distributions.**

22. Effective immediately, the Association shall not declare or pay dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the Regional Director in accordance with applicable regulations and regulatory guidance. The Association's written request for approval shall be submitted to the Regional Director at least thirty (30) days prior to the anticipated date of the proposed declaration, dividend payment or distribution of capital.

**Brokered Deposits and Interest Rate Restriction.**

23. Effective immediately, the Association shall comply with the requirements of 12 C.F.R. § 337.6(b).

**Growth.**

24. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written non-objection of the Regional Director. The growth restriction imposed by this Paragraph shall remain in effect until the Association receives the Regional Director's written notice of non-objection of its Capital and Business Plan pursuant to Paragraph 7 of this Order.

**Golden Parachute Payments.**

25. Effective immediately, the Association shall not make any golden parachute payment<sup>4</sup> unless, with respect to such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

**Directorate and Management Changes.**

26. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers<sup>5</sup> set forth in 12 C.F.R. Part 563, Subpart H.

**Employment Contracts and Compensation Arrangements.**

27. Effective immediately, the Association shall not enter into any new contractual arrangement or renew, extend, or revise any contractual arrangement relating to compensation or benefits for any director or Senior Executive Officer of the Association, unless it first provides the Regional Director with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such director or Senior Executive Officer, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

**Third Party Contracts.**

28. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial

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<sup>4</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

<sup>5</sup> The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

condition of the Association<sup>6</sup> or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of thirty (30) days prior written notice of such arrangement or contract and a written determination that that the arrangement or contract complies with the standards and guidelines set forth in OTS Thrift Bulletin 82a; and (b) received written notice of non-objection from the Regional Director.

**Effective Date, Incorporation of Stipulation.**

29. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

**Duration.**

30. This Order shall remain in effect until terminated, modified, or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

31. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted.

32. The Regional Director or an OTS authorized representative may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

33. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

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<sup>6</sup> A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

34. Except as otherwise provided herein, all submissions, requests, communications, consents, or other documents relating to this Order shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission, or hand delivery by messenger) addressed as follows:

(a) **To the OTS:**

Regional Director  
Office of Thrift Supervision  
One South Wacker Drive, Suite 2000  
Chicago, Illinois 60606  
Facsimile: (312) 917-5001

(b) **To the Association:**

Chairman of the Board  
PNA Bank  
3250 Lacey Road, Suite 140  
Downers Grove, Illinois 60515  
Facsimile: (630) 967-0810

**No Violations Authorized.**

35. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Daniel T. McKee  
Regional Director, Central Region

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

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In the Matter of )	Order No.: CN 10-30
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<b>PNA BANK</b> )	Effective Date: August 13, 2010
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Downers Grove, Illinois )	
OTS Docket No. 13824 )	
_____ )	

**STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST**

**WHEREAS**, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed PNA Bank, Downers Grove, Illinois, OTS Docket No. 13824 (Association) that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

**WHEREAS**, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

**WHEREAS**, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or

denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs 1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**Jurisdiction.**

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).
2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

**OTS Findings of Fact.**

3. Based on a comprehensive examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices of operating with: (a) an excessive level of adversely classified and delinquent loans; (b) an inadequate level of capital protection for the volume, type and quality of assets held by the Association; and (c) inadequate earnings to fund growth and augment capital as described in the OTS Report of Examination of the Association dated November 30, 2009 (2009 ROE).

**Consent.**

4. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

**Finality.**

5. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

**Waivers.**

6. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

**OTS Authority Not Affected.**

7. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**Other Governmental Actions Not Affected.**

8. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 7 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

9. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

10. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

11. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

12. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

13. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

14. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

**Signature of Directors/Board Resolution.**

15. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

**WHEREFORE**, the Association, by its directors, executes this Stipulation.

**PNA BANK**  
**Downers Grove, Illinois**

Accepted by:  
**Office of Thrift Supervision**

\_\_\_\_\_/s/\_\_\_\_\_  
Frank J. Spula, Chairman

By:\_\_\_\_\_/s/\_\_\_\_\_  
Daniel T. McKee  
Regional Director, Central Region

\_\_\_\_\_/s/\_\_\_\_\_  
Teresa N. Abick, Director

Date: See Effective Date on page 1

\_\_\_\_\_/s/\_\_\_\_\_  
Lawrence H. Chlum, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Marian Grabowski, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Charles A. Komosa, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Robert R. Maycan, Director

\_\_\_\_\_/s/\_\_\_\_\_  
Christopher T. Nowotarski, Director

\_\_\_\_\_  
/s/  
Paul C. Odrobina, Director

\_\_\_\_\_  
Sylvester J. Ptak, Director

\_\_\_\_\_  
/s/  
Kimberly P. Rooney, Director

\_\_\_\_\_  
/s/  
Dr. Henryk J. Roztoczynski, Director

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Virginia Sikora, Director