FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

and

STATE OF ILLINOIS

OFFICE OF BANKS AND REAL ESTATE

BUREAU OF BANKS AND TRUST COMPANIES

In the Matter of	)	ORDER TO CEASE AND DESIST
COMMUNITY BANK OF LAWNDALE CHICAGO, ILLINOIS	)	FDIC-03-025b OBRE NO. 2003-BBTC-08
(Insured State Nonmember Bank)	)	

Community Bank of Lawndale, Chicago, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law, rule, or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under 38 Ill. Adm. Code § 392.30, regarding hearings before the State of Illinois Office of Banks and Real Estate ("OBRE"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and OBRE, dated _____________, ____, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law, rule, or regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and OBRE.

The FDIC and OBRE considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws, rules, or regulations. The FDIC and OBRE, therefore, accepted the STIPULATION and issued the following:

ORDER TO CEASE-AND-DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law, rule, or regulation:

A. Operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule, or regulation.

B. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

C. Operating with an inadequate level of capital protection for the kind and quality of assets held.

D. Operating with inadequate earnings.

E. Operating with an inadequate allowance for loan and lease losses for the volume, kind, and quality of loans and leases held.

F. Failing to keep accurate books and records.

G. Operating with inadequate internal routines and controls.

H. Operating with an inadequate audit program.

I. Operating with an excessive level of adversely classified loans, delinquent loans, nonaccrual loans, and lax collection practices.

J. Violating laws, rules, or regulations, including:

- Section 215.4(e) of Regulation O of the Board of Governors of the Federal Reserve System ("Regulation O"), 12 C.F.R. § 215.4(e).
- Section 23A of the Federal Reserve Act ("section 23A"), 12 U.S.C. § 371c(a)(3) and section 35.2(a)(3) of the Illinois Banking Act, 205 ILCS 5/35.2(a)(3).
- Section 103.27(a)(1) of the Treasury Department's Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulation, 31 C.F.R. § 103.27(a)(1).
- Section 16(6) of the Illinois Banking Act, 205 ILCS 5/16(6).

- Section 364.101(a) of the FDIC Rules and Regulations, 12 C.F.R. § 364.101(a).
- Section 304.3(a) of the FDIC Rules and Regulations, 12 C.F.R. § 304.3(a).
- Section 350.7(b) of the FDIC Rules and Regulations, 12 C.F.R. § 350.7(b).
- Section 326.4 of the FDIC Rules and Regulations, 12 C.F.R. § 326.4.

K. Failing to adequately document business expenses for senior executive officers.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. (a) Within 90 days from the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include a new chief executive officer with proven ability in managing a bank of comparable size and experience in upgrading a low quality loan portfolio. Such person(s) shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) Operate the Bank in a safe and sound manner;

(iii) Comply with applicable laws, rules, and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, and liquidity.

(b) During the life of this ORDER, and prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b) and includes any person identified by the FDIC and OBRE, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank. Further, the Bank shall request and obtain the written approval of the Commissioner of OBRE ("Commissioner") prior to the addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

2. (a) Within 30 days from the effective date of this

ORDER, the Bank’s board of directors shall develop a written analysis and assessment of the Bank’s management and staffing needs (“Management Plan”) for the purpose of providing qualified management and staff for the Bank.

(b) The Management Plan shall include, at a minimum:

(i) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the bank;

(ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Evaluation of all Bank officers and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank’s established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition; and

(iv) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(c) Within 30 days from the completion of the Management Plan, the Bank shall approve the Management Plan, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and follow the Management Plan. A copy of the Management Plan shall be submitted to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Commissioner.

3. (a) Within 30 days from the last day of each calendar quarter following the effective date of this ORDER, the Bank shall determine from its Report of Condition and Income its level of Tier 1 capital as a percentage of its total assets ("capital ratio") for that calendar quarter. If the capital ratio is less than 7.0 percent, the Bank shall, within 60 days of the date of the required determination, increase its capital ratio to not less than 7.0 percent calculated as of the end of that preceding quarterly period. For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations ("Part 325"), 12 C.F.R. Part 325.

(b) Any such increase in Tier 1 capital may be accomplished by the following:

(i) The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or

(ii) The elimination of all or part of the assets classified "Loss" as of June 30, 2002 without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or

(iii) The collection in cash of assets previously charged off; or

(iv) The direct contribution of cash by the directors and/or the shareholders of the Bank; or

(v) Any other means acceptable to the Regional Director and the Commissioner; or

(vi) Any combination of the above means.

(c) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal and state securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to Scott D. Clarke, Assistant Commissioner, Office of Banks and Real Estate, 500 East Monroe, Springfield, Illinois 62701, for their review. Any changes requested to be made in the materials by the FDIC or OBRE shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(e) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

4. Within 90 days from the effective date of this ORDER, the Bank shall formulate and adopt a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

5. (a) Within 90 days from the effective date of this ORDER, the Bank shall adopt and implement a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2003 and 2004. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating

assumptions that form the basis for major projected income and expense components. A copy of the plan shall be submitted to the Regional Director and Commissioner upon its completion.

(b) The written profit plan shall address, at a minimum:

(i) Realistic growth and margin assumptions;

(ii) Realistic core deposit growth projections and strategies associated therewith;

(iii) Maintenance of an adequate Allowance for Loan and Lease Losses ("ALLL"); and

(iv) Clear assignment of responsibilities for implementing the written profit plan.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

6. The Bank shall immediately allocate the necessary resources to return the Bank's books and records to a complete and accurate state. By March 31, 2003, the Bank shall restore its books and records to a complete and accurate state and shall continue to maintain accurate books and records. All account

differences existing as of December 31, 2002 that are unresolved by March 31, 2003 shall be charged off from the Bank's books. During the life of this ORDER, all accounting differences for entries dated subsequent to December 31, 2002 shall be charged off from the Bank's books if not reconciled and balanced within 90 days of the date of the entry.

7. Within 90 days from the effective date of this ORDER, the Bank's board of directors shall adopt and implement a comprehensive written audit program. At a minimum, the audit program shall provide that: (a) the internal auditor make written monthly reports of audit findings directly to the Bank's board of directors, which findings and any action taken as a result of the findings shall be recorded in the minutes of the meetings of the board; and (b) the Bank provide the Regional Director and Commissioner with a copy of all external audit reports within 10 days of the Bank's receipt of such report(s). The Bank shall thereafter implement and enforce an effective system of internal and external audits. A copy of the audit program should be submitted to the Regional Director and Commissioner upon its completion.

8. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulation listed in the Joint Report of Examination as of June 30, 2002 ("Joint Report").

(b) Within 30 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

9. Within 90 days from the effective date of this ORDER, the Bank shall review the business expenses paid to its executive officers from January 1, 2002 to the present, and if sufficient documentation is not evident to support the Bank's payment of an expense, the Bank shall either obtain reimbursement from the executive officer who received the payment or the Bank shall issue an IRS Form 1099 for the payment to the executive officer.

10. Following the effective date of this ORDER, the Bank shall send to its shareholders and to the shareholders of Sable Bancshares, Inc.("Bank Holding Company") a copy or description of this ORDER: (1) in conjunction with the Bank's and the Bank Holding Company's next shareholder communications; and (2) in conjunction with the Bank's and the Bank Holding Company's notice or proxy statement preceding their next shareholder meetings. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication, notice, or statement shall be sent to the FDIC Registration and Disclosure Section 550 17th Street, N.W., Washington, D.C. 20429 and to Scott D. Clarke, Assistant Commissioner, Office of Banks and Real Estate, 500 East Monroe,

Springfield, Illinois 62701, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and OBRE shall be made prior to dissemination of the description, communication, notice, or statement.

11. (a) Within 30 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

(b) Following the required date of compliance with subparagraph (a) of this paragraph, the Bank's board of directors shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled board of directors' meeting.

12. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Commissioner written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Commissioner have, in writing, released the Bank from making further reports.

The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and OBRE.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and OBRE.

Pursuant to delegated authority.

Dated: April 4, 2003.

Scott M. Polakoff
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Scott D. Clarke
Assistant Commissioner
State of Illinois
Office of Banks and Real
Estate