

STATE OF ILLINOIS
OFFICE OF BANKS AND REAL ESTATE
BUREAU OF BANKS AND TRUST COMPANIES

IN THE MATTER OF)
)
The Prohibition of Nicholas)
C. Tanglis from any entity that is subject to) No. 2003-BBTC-12
licensure or regulation by the Office of)
Banks and Real Estate)

ORDER OF PROHIBITION

The COMMISSIONER OF BANKS AND REAL ESTATE hereby issues to Nicholas C. Tanglis this ORDER OF PROHIBITION. This Order is authorized by and issued pursuant to Section 48(7) of the Illinois Banking Act [205 ILCS 5/48(7)], (the “Act”).

FINDINGS

The Commissioner of Banks and Real Estate, (the “Commissioner”) is of the opinion and finds as follows:

1. Citizens Bank & Trust Company of Chicago, Chicago, Illinois (“Citizens”) is a state-chartered bank subject to examination and regulation by the Commissioner;
2. At all times relevant regarding the events described below, Nicholas C. Tanglis, (the “Respondent”) was an officer, employee, agent or insider of Citizens. On or about August 29, 2003, the Commissioner received information that the Respondent had terminated his services with Citizens;
3. Deposits in Citizens are insured by the Federal Deposit Insurance Corporation (“FDIC”), and such deposits were FDIC-insured at all relevant times regarding the events described below;
4. Citizens and Respondent are subject to all federal statutes and regulations applicable to FDIC-insured banks, including but not limited to the provisions of the Federal Reserve Board’s Regulation O (“Regulation O”), 12 C.F.R. 215;

5. Section 215.1 of Regulation O defines an insider as an executive officer, director, or principal shareholder and includes any related interest of such person;
6. At all times relevant hereto, the Respondent was an executive officer for the purpose of Regulation O;
7. At all times relevant hereto, the Respondent was an insider for the purpose of Regulation O;
8. Section 215.3 of Regulation O provides that an extension of credit is made to an insider to the extent that the proceeds are transferred to the insider or are used for the benefit of the insider;
9. Section 48(7) of the Act provides that whenever the Commissioner finds that any former director, officer, employee or agent of a state bank, prior to termination of his or her service with that bank, violated any law, rule or order relating to that state bank, obstructed or impeded any examination or investigation by the Commissioner, engaged in any unsafe or unsound practice in connection with any financial institution or other business, such that the character and fitness of the director, officer, employee or agent would not assure reasonable promise of safe and sound operation of the state bank, the Commissioner may issue an Order prohibiting that person from further service with a bank or any subsidiary or bank holding company of a bank as a director, officer, employee or agent. Section 48(7) of the Act further provides the Commissioner authority to restrict any person who has been the subject of an ORDER OF PROHIBITION from thereafter serving as a director, officer, employee or agent of any state bank or of any branch of any out of state bank, or of any corporate fiduciary, or of any entity that is subject to licensure or regulation by the Commissioner or the Office of Banks and Real Estate unless the Commissioner has granted prior approval in writing;
10. On or about January 31, 2000 through April 2000, the Respondent facilitated and caused Citizens to approve a series of overdraft transactions in numerous customer accounts in order to circumvent formal and established lending practices. The overdraft transactions created undocumented and unsecured extensions of credit;
11. The Respondent's actions with respect to the series of overdraft transactions violated Citizen's internal lending policy and circumvented prudent lending practices including financial statement review and analysis of repayment ability and constituted unsafe and unsound practices;

12. In March 2000, Respondent facilitated and caused Citizens to approve a \$200,000 transaction that resulted in an overdraft of a Citizens customer's account. The referenced approved overdraft constituted an extension of credit to the customer by Citizens, (the "March 2000 Extension of Credit");
13. The funds comprising the March 2000 Extension of Credit were subsequently utilized to make an investment for the benefit of the Respondent;
14. The subsequent transfer of the funds comprising the March 2000 Extension of Credit to the benefit of the Respondent constitutes an extension of credit to the Respondent for purposes of Regulation O;
15. Section 215.5(c)(4) of Regulation O provides that a bank is authorized to extend credit to any executive officer of the bank for any purpose not specified in paragraphs (c)(1) through (c)(3) of Section 215.5, but in no event in an amount that exceeds \$100,000;
16. The March 2000 Extension of Credit to the Respondent exceeded the maximum allowed pursuant to Section 215.5(c)(4) of Regulation O;
17. Section 215.5(d)(1) of Regulation O provides that any extension of credit by a bank to its executive officers shall be promptly reported to the bank's board of directors;
18. The March 2000 Extension of Credit to the Respondent was not promptly reported to the board of Citizens as required by Section 215.5(d)(1) of Regulation O;
19. The Respondent's actions in facilitating or causing the March 2000 Extension of Credit violated Citizen's internal lending policy and circumvented prudent lending practices including financial statement review and analysis of repayment ability;
20. Respondent's actions with respect to the March 2000 Extension of Credit constitute undisclosed self dealing; unsafe and unsound banking practices; and violations of Regulation O, 12 C.F.R. 215;
21. In April 2000, Respondent facilitated or caused Citizens to extend credit in the amount of \$450,000 to a Citizens customer, (the "April 2000 Extension of Credit"). The documented purpose of the April 2000 Extension of Credit was to refinance a \$427,000 loan previously extended by another financial institution;

22. The Respondent was contractually designated as a guarantor for this referenced prior loan. Respondent personally benefited from the April 2000 Extension of Credit in that it eliminated a personal contingent liability in the amount of approximately \$427,000;
23. Respondent's actions with respect to the April 2000 Extension of Credit constitute undisclosed self dealing and unsafe and unsound banking practices;
24. On or about May 3, 2000, in connection with an examination of the affairs of Citizens, the Respondent provided an oral statement to Office of Banks and Real Estate examiners related to the March 2000 Extension of Credit discussed above. The oral statement provided by the Respondent failed to accurately and truthfully disclose that the proceeds of the overdraft extension of credit were utilized to make an investment for the benefit of the Respondent;
25. The Respondent's failure to accurately and truthfully describe the utilization of funds resulting from the March 2000 Extension of Credit obstructed or impeded an examination of the affairs of Citizens;
26. In May of 2000, Respondent facilitated a restructuring of a prior unsecured loan between Citizens and a bank customer, (the "May 2000 Loan Restructure Transaction"). As part of the May 2000 Loan Restructure Transaction, Respondent was specifically instructed to personally obtain the signature of each party pledging collateral on the restructured loan;
27. Respondent failed to personally obtain verified signatures of the parties purportedly offering collateral security for the May 2000 Loan Restructure Transaction. Instead the Respondent relinquished control and supervision over the May 2000 Loan Restructure Transaction by delivering loan documents to a non-bank employee for the purpose of obtaining necessary collateral security signatures;
28. Subsequent to the May 2000 Loan Restructure Transaction, Citizens was advised that at least one required collateral signature was not authentic and payments on the loan ceased;
29. The Respondent's failure to comply with specific instructions and to obtain verified collateral signatures facilitated placing Citizens in an unsafe and unsecured condition and directly resulted in significant credit and litigation risk for Citizens;
30. In December 2000, Respondent engaged in creating and signing a duplicate Citizens Financial Corporation ("CFC") stock certificate #3, knowing that this

stock certificate was to be utilized as collateral to secure a loan or extension of credit from a state-chartered bank for the benefit of third party individuals;

31. Respondent failed to take reasonable steps to verify that the original CFC stock certificate #3 was either lost or destroyed. Further, the Respondent failed to take reasonable steps to verify that the original CFC stock certificate #3 was unencumbered and not previously pledged as collateral securing other extensions of credit. In addition, the Respondent failed to note or designate in any manner that the CFC stock certificate #3 that he created was a duplicate or replacement certificate and instead backdated the duplicate stock certificate as of the date of original issuance;
32. Following the creation of the referenced duplicate CFC stock certificate #3, the Respondent failed to advise or notify the owner of record of the duplication of that stock certificate;
33. Respondent's actions directly resulted in CFC stock certificate #3 being double pledged on two separate occasions to different financial institutions;
34. The referenced double pledges resulted in additional credit risk to these institutions and created significant credit and legal risk for CFC, Citizens, and the above referenced third party individuals;
35. The Respondent's failure to verify that CFC stock certificate #3 was unencumbered and not previously pledged as collateral or to note in any manner that the certificate he had created was in any manner a duplicate or replacement constitutes an unsafe and unsound practice;
36. In October 2001, Respondent facilitated a draw on a Citizens customer's line of credit in the amount of \$20,000, (the "October 2001 Extension of Credit");
37. The Respondent authorized and facilitated the October 2001 Extension of Credit for an expenditure other than the documented and intended purpose of the established line of credit;
38. In conjunction with the October 2001 Extension of Credit, the Respondent facilitated a transfer of funds to a relative, purportedly for the purchase of imported wine;
39. A portion of the October 2001 Extension of Credit was subsequently transferred to the benefit of the Respondent;

40. The subsequent transfer of the October 2001 Extension of Credit to the benefit of the Respondent constitutes an extension of credit to the Respondent for purposes of Regulation O;
41. Section 215.5(d)(1) of Regulation O provides that any extension of credit by a bank to its executive officers shall be promptly reported to the bank's board of directors;
42. The October 2001 Extension of Credit to the Respondent was not promptly reported to the board of Citizens as required by Section 215.5(d)(1) of Regulation O;
43. Respondent's actions with respect to the October 2001 Extension of Credit constitute undisclosed self dealing; unsafe and unsound banking practices; and a violation of Regulation O, 12 C.F.R. 215.5(d)(1);
44. In December 2001, Respondent knowingly participated in the structuring of a \$450,000 extension of credit from a state-chartered bank with the intent of circumventing applicable Illinois statutory lending limits, (the "December 2001 Transaction");
45. Despite loan documentation identifying the Respondent as the borrower, the Respondent immediately caused a majority of the loan proceeds to be transferred to the benefit of third party individuals;
46. At the time of the above referenced December 2001 Transaction the referenced state-chartered bank was prevented from extending the requested credit to the third party individuals by the lending limit restrictions imposed pursuant to Section 32 of the Act, [205 ILCS 5/32]; and
47. Respondent's actions facilitated placing the lending bank in an unsafe condition and constituted an unsafe and unsound practice.

CONCLUSIONS

BASED ON THE ABOVE FINDINGS, THE COMMISSIONER IS OF THE OPINION AND CONCLUDES:

1. That in conjunction with the series of overdraft transactions facilitated by the Respondent between January 31, 2000 through April 2000, the Respondent engaged in unsafe and unsound practices;

2. That in conjunction with the March 2000 Extension of Credit, the Respondent caused a violation of Section 215.5(c)(4) of Regulation O which prohibits banks from extending credit to officers and their related interests in excess of an individual lending limit;
3. That in conjunction with the March 2000 Extension of Credit, the Respondent violated Section 215.5(d)(1) of Regulation O which required the Respondent to promptly notify the Citizens board of directors of his receipt of the March 2000 Extension of Credit;
4. That in conjunction with the March 2000 Extension of Credit, the Respondent engaged in undisclosed self dealing and unsafe and unsound banking practices;
5. That Respondent's failure to accurately and truthfully describe the utilization of funds resulting from the March 2000 Extension of Credit obstructed or impeded an examination of the affairs of Citizens;
6. That in conjunction with the April 2000 Extension of Credit, the Respondent engaged in undisclosed self dealing and unsafe and unsound practices;
7. That in conjunction with the May 2000 Loan Restructure Transaction, the Respondent engaged in unsafe and unsound practices;
8. That in conjunction with the December 2000 creation and duplication of CFC stock certificate #3, the Respondent engaged in unsafe and unsound practices;
9. That in conjunction with the October 2001 Extension of Credit, the Respondent engaged in undisclosed self dealing; unsafe and unsound practices and violated Regulation O, 12 C.F.R. 215.5(d)(1);
10. That in conjunction with the December 2001 Transaction, the Respondent knowingly engaged in a transaction with the intent of circumventing the legal lending limits imposed pursuant to Section 32 of the Act and engaged in unsafe and unsound practices; and
11. That Respondent has engaged in practices that violated Regulation O and engaged or participated in unsafe or unsound practices such that the character and fitness of the Respondent does not assure reasonable promise of safe and sound operation of a state-chartered bank.

NOW THEREFORE IT IS HEREBY ORDERED:

Pursuant to the authority granted under Section 48(7) of the Act and based upon the FINDINGS and CONCLUSIONS stated above, IT IS HEREBY ORDERED:

NICHOLAS C. TANGLIS IS PROHIBITED and may not serve as a director, officer, employee or agent of any state bank or branch of any out of state bank, or of any corporate fiduciary, or of any other entity that is subject to licensure or regulation by the Commissioner or the Office of Banks and Real Estate unless the Commissioner has granted prior approval in writing;

This ORDER shall be effective on the date it is signed and the provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provisions of this ORDER shall have been modified, terminated, suspended or set aside by the Commissioner, the State Banking Board of Illinois, or a court of competent jurisdiction;

NICHOLAS C. TANGLIS is hereby notified that the Commissioner retains jurisdiction in this matter to enforce the provisions of this ORDER and that if NICHOLAS C. TANGLIS violates this ORDER or violates the provisions of the Illinois Banking Act, the Commissioner is authorized to impose civil penalties of up to \$10,000, in addition to any other remedies authorized by law; and

NICHOLAS C. TANGLIS is hereby notified that this Order is an administrative decision. Pursuant to 38 Ill. Adm. Code, Section 900, any party may file a request for a hearing on an administrative decision. The request for a hearing shall be filed within 10 days after the receipt of an administrative decision. A hearing shall be held before the State Banking Board or their duly appointed hearing officer within thirty (30) days after the receipt of a request for a hearing. Absent a request for hearing, this Order shall constitute a final administrative Order subject to the Administrative Review Law, [735 ILCS 5/3-101].

ORDERED THIS 3rd DAY OF SEPTEMBER, 2003.

SCOTT D. CLARKE
Assistant Commissioner
Bureau of Banks and Trust Companies
Pursuant to Delegated Authority