

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKS - THRIFT SECTION

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In the Matter of )	ORDER TO CEASE AND DESIST
)	
LINCOLN PARK SAVINGS BANK )	
CHICAGO, ILLINOIS )	FDIC-09-250b
)	
(Illinois Chartered Insured )	2009 THRIFT NO. 3
State Nonmember Savings Bank) )	
_____ )	

Lincoln Park Savings Bank, 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 sections 9009, 9015, 9016, 9018, 11001, and 11002 of the Savings Bank Act ("SBA"), 205 ILCS 205/9009, 9015, 9016, 9018, 11001, and 11002, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Illinois Department of Financial and Professional Regulation, Division of

Banking ("Division") dated September 30, 2009, 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 the Division.

The FDIC and the Division considered the matter and determined that they had reason to believe that the Bank had engage in unsafe or unsound banking practices and had violated laws, rules, or regulations. The FDIC and the Division, therefore, accepted the CONSENT AGREEMENT 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), or as defined in sections 1007.05 or 11005 of the SBA, 205 ILCS 205/1007.05 and 11005, 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 management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

- B. 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.
- C. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- D. Engaging in hazardous lending and lax collection practices.
- E. Operating with an excessive level of adversely classified loans, delinquent loans and nonaccrual loans.
- F. Operating with an inadequate allowance for loans and lease losses for the volume, kind and quality of loans and leases held.
- G. Operating in a manner which has resulted in inadequate earnings.
- H. Operating with inadequate funds management practices.
- I. Operating with inadequate liquidity in light of the Bank's asset and liability mix.
- J. Violating laws, rules or regulations.

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

## MANAGEMENT

1. (a) Within 60 days from the effective date of this ORDER, the Bank shall have and thereafter retain qualified management. Management 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, sensitivity to interest rate risk, and liquidity.

(b) During the life of this ORDER, 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 request and obtain the Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the FDI Act ("section 32"), 12

U.S.C. § 1831i, and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

#### BOARD PARTICIPATION

2. (a) As of the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of Banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; individual committee reports; audit reports; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) 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.

#### CAPITAL

3. (a) Within 180 days from the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1

capital as a percentage of its total assets ("capital ratio") at a minimum of 8 percent and its level of total qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 12 percent. For purposes of this ORDER, Tier 1 capital, qualifying total capital, total assets, and risk-weighted 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) Merger with another mutually-owned FDIC-insured depository institution acceptable to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Division after complying with all application and publication requirements; or
- (ii) Conversion from mutual to stock form or mutual holding company reorganization, including, if the Bank is eligible, a transaction pursuant to Section 1075.2170 of the Savings Bank Rules, 38 Ill. Adm. Code 1075.2170; or

- (iii) The elimination of all or part of the assets classified "Loss" as of December 31, 2008 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
- (iv) The collection in cash of assets previously charged off; or
- (v) The direct contribution of cash by the directors and/or the members of the Bank; or
- (vi) Any other means acceptable to the Regional Director and the Division; or
- (vii) 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 common stock or noncumulative perpetual stock, the board of directors of the Bank shall adopt and implement a plan for the sale of such stock after complying with the state and federal statutory or regulatory requirements relating to the conversion from a mutual form of ownership to stock ownership or reorganization to a mutual holding company structure, including

filing all applicable applications. Should the implementation of the plan involve public distribution of Bank securities, and in addition to the requirements relating to a conversion or mutual holding company reorganization, 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 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 17<sup>th</sup> Street, N.W., Washington, D.C 20429 and to J. Roger Copley, Director of Thrift Supervision, Illinois Department of Financial and Professional Regulation, 122 S. Michigan Avenue, 19<sup>th</sup> Floor, Chicago, Illinois 60603, for their review. Any changes requested to be made in the materials by the FDIC or the Division shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, and in addition to the requirements relating to a conversion or mutual holding company reorganization, the Bank shall provide to any subscriber and/or purchaser of Bank stock 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.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

4. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the February 17, 2009 Report of Examination ("ROE") so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or is listed for

Special Mention in the ROE and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated into the minutes of the applicable board of directors' meeting.

LOSS CHARGE-OFF

5. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" as of February 17, 2009 that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and Division. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for purposes of this paragraph.

ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a) Within 30 days from the effective date of this ORDER, the Bank shall replenish its allowance for loan and lease losses ("ALLL") in an amount equal to those loans required to be charged off by this ORDER, pursuant to paragraph 5.

(b) Within 30 days from the effective date of this ORDER, the Bank shall make an additional provision for loan and

lease losses which, after review and consideration by the board of directors, reflects the potential for further losses in the remaining loans or leases classified "Substandard" in the ROE and all other loans and leases in its portfolio. In making this determination, the board of directors shall consider the Federal Financial Institutions Examination Council ("FFIEC") Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or the Division. At a minimum, the ALLL shall at all times equal at least 2.0% percent of total loans.

(c) Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. The minutes of the board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or Division.

(d) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

(e) While this ORDER is in effect, the Bank shall submit to the Division a copy of all Reports of Condition and Income filed with the FDIC, including those Reports filed pursuant to this paragraph.

REDUCTION OF SUBSTANDARD ASSETS

7. (a) Within 45 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan to reduce the Bank's risk position in each asset or loan relationship in excess of \$500,000 which is classified "Substandard" in the ROE. In developing such plan, the Bank shall, at a minimum:

(i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

(ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

(b) Such plan shall include, but not be limited to:

(i) Dollar levels to which the Bank shall reduce each asset within 6 and 12 months from the effective date of this ORDER; and

(ii) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, "reduce" means to:

(1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and Division.

(d) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the Division.

#### SPECIAL MENTION LOANS

8. Within 30 days from the effective date of this ORDER, the bank shall correct all deficiencies in the loans listed for "Special Mention" in the ROE.

#### TECHNICAL EXCEPTIONS

9. Within 90 days from the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the ROE.

### REDUCTION OF CONCENTRATIONS

10. Within 45 days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a written plan to reduce each of the loan concentrations of credit identified in the ROE to less than 100% percent of the Bank's total Tier 1 capital. A copy of the plan shall be submitted to the Regional Director and the Division. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

(a) Dollar levels to which the Bank shall reduce each concentration;

(b) Time frames for achieving those reductions; and

(c) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

### REDUCTION OF DELINQUENCIES

11. Within 30 days from the effective date of this ORDER, the Bank shall adopt and implement a written plan for the reduction and collection of delinquent loans. A copy of the plan shall be submitted to the Regional Director and the Division. The plan shall include, but not be limited to, provisions which:

(a) prohibit the extension of credit for the payment of interest;

(b) delineate areas of responsibility for implementing the plan;

(c) establish acceptable guidelines for the collection of delinquent credits;

(d) establish dollar levels to which the Bank shall reduce delinquencies within 6 and 12 months from the effective date of this ORDER; and

(e) provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

#### LOAN COMMITTEE

12. As of the effective date of this ORDER, the Bank's loan committee shall meet at least monthly, and shall include at least 3 directors who are "independent". For purposes of this ORDER, "independent" is defined as a director who is not an employee of the Bank.

#### LOAN POLICY

13. (a) Within 60 days from the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall review the Bank's loan policy and procedures for adequacy and, based upon this review, shall make all appropriate

revisions to the policy necessary to strengthen lending procedures and abate additional loan deterioration.

(b) The initial revisions to the Bank's loan policy required by this paragraph, at a minimum, shall address all of the deficiencies detailed in the ROE.

#### STRATEGIC PLAN

14. (a) Within 45 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.

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

- (i) Strategies for pricing policies and asset/liability management;
- (ii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The Bank will submit the strategic plan to the Regional Director and Division for review and comment. After consideration of all such comments, the Bank shall approve the



plan, which approval shall be recorded in the minutes of a board of directors' meeting.

(d) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

BUDGET AND PROFIT PLAN

15. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt, implement and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2009 and 2010. 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.

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

(i) Realistic and comprehensive budgets;

- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) Within 30 days from the end of each calendar quarter following completion of the profit plan and budget 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.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be submitted to the Regional Director and Division.

## LIQUIDITY

16. (a) Within 45 days from the effective date of this ORDER, the Bank shall adopt a written contingency funding plan ("Liquidity Plan"). The Liquidity Plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one month, two months and three months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found at FIL-84-2008 and shall include provisions to address the issues identified in the ROE.

(b) During the life of this ORDER, the Bank shall submit to the Regional Director and the Division a liquidity analysis report, in a format and frequency schedule that is acceptable to the Regional Director and the Division.

(c) A copy of the plan required by this paragraph shall be submitted to the Regional Director and the Division.

## ASSET/LIABILITY MANAGEMENT

17. Within 60 days from the effective date of this ORDER, the Bank shall have an independent review of its asset/liability/sensitivity model, conduct back-testing, and make necessary adjustments to the assumptions in the model, as supported by the findings of the independent review.

### CORRECTION OF VIOLATIONS

18. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all remediable violations of law, rule, and regulation listed in the ROE.

(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.

### PROGRESS REPORTS

19. 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 Division two copies of 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 Division have, in writing, released the Bank from making further reports.

### CLOSING PARAGRAPHS

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

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 Division.

Except as otherwise directed in this ORDER, submissions to the Regional Director and Division under this ORDER shall be sent to, respectively: Regional Director, Federal Deposit Insurance Corporation, 300 South Riverside Plaza, Suite 1700, Chicago, Illinois 60606; and J. Roger Copley, Director of Thrift Regulation, Illinois Department of Financial and Professional Regulation, Division of Banking, 122 S. Michigan Avenue, Suite 1900, Chicago, Illinois 60603.

Pursuant to delegated authority.

Dated: October 6th, 2009.

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M. Anthony ~~Lowe~~  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

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Jorge A. Solis  
Director  
Division of Banking  
Illinois Department Financial  
and Professional Regulation