FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

In the Matter of	ORDER TO CEASE AND DESIST
THE BANK OF COMMERCE WOOD DALE, ILLINOIS	FDIC-09-055b 2009-DB-09
(Illinois Chartered Insured Nonmember Bank)	

The Bank of Commerce, Wood Dale, 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 38 Ill. Adm. Code, section 392.30, regarding hearings before the Illinois Department of Financial and Professional Regulation ("Division"), 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 Division, dated May 27, 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 Division.

The FDIC and the Division 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 the Division, therefore, accepted the CONSENT AGREEMENT and issued the following:

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 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 excessive level of adversely classified assets;

D. Engaging in hazardous lending and lax collection practices;

E. Operating with an inadequate allowance for loans and lease losses ("ALLL") for the volume, kind, and quality of loans and leases held;

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

G. Operating in such a manner as to produce low earnings;

H. Operating with an inadequate loan policy;

I. Operating with inadequate liquidity in light of the Bank's asset and liability mix;

J. Operating with excessive concentrations of credit;

K. Operating with inadequate policies to monitor and control asset growth; and

L. Operating in violation of Sections 323.4 and 323.5 of the FDIC Rules and Regulations.

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

MANAGEMENT

1. During the life of this ORDER, the Bank shall have and retain qualified management.

(a) Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Each member of management shall be provided appropriate written authority from the Bank's board of directors to implement the provisions of this ORDER.

(b) 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 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.

(c) During the life of this ORDER, the Bank shall notify the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") in writing of any changes in the

Bank's directors or senior executive officers in compliance with section 32 of the FDI 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). In addition, the Bank shall request and obtain the Division's written approval prior to the addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

BOARD PARTICIPATION

2. (a) From 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, operating policies, individual committee reports, audit reports, internal control reviews including management's responses, 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) As of December 31, 2009, 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 8.0%, and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 12.0%. 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 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;

(ii) The elimination of all or part of the assets classified "Loss" as of October 6, 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;

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

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

(v) Any other means acceptable to the Regional Director and the Division; 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 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^{th} Street, N.W., Washington, D.C. 20429 and to Jorge A. Solis, Director, Division of Banking, Illinois Department of Financial and Professional Regulation, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603, for their review. Any changes requested to be made in the materials by the FDIC or Division 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 or subscriber of Bank securities.

(e) The capital ratio 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.

LOSS CHARGE-OFF

4. As of the effective date of this ORDER, the Bank shall eliminate from its books, by collection, charge-off or other proper entries, all assets or portions of assets classified "Loss" in the Report of Examination ("ROE") of October 6, 2008 that have not been previously charged-off or collected.

REDUCTION OF SUBSTANDARD ASSETS

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement, a written plan to reduce the Bank's risk position in each asset in excess of $500,000 which is classified "Substandard" in the ROE of October 6, 2008. 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; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC and the Division.

(d) The plan shall be acceptable to the Regional Director and the Division.

(e) While this ORDER remains in effect, the plan shall be revised to include assets adversely classified and assets listed for Special Mention at each subsequent examination.

LOAN POLICY

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt and implement revisions to its loan policy, incorporating, at a minimum, the items discussed on pages 14 through 17 of the ROE of October 6, 2008.

(b) The policy shall be acceptable to the Regional Director and the Division.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

7. (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" 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" 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. The statement shall be signed by each director with their approval or disapproval noted thereon. 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.

(c) The Bank shall not accrue interest on any loan that is, or becomes, 90 days or more delinquent as to principal or interest, and the Bank shall reverse on its books all previously accrued but uncollected interest on any loan that has ceased to accrue interest.

REDUCTION OF DELINQUENCIES

8. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written plan for the reduction and collection of delinquent loans. The plan shall include, but not be limited to, provisions which:

(i) Prohibit the extension of credit for the payment of interest;

(ii) Delineate areas of responsibility for collections;

(iii) Establish acceptable guidelines for the collection of delinquent credits;

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

(v) 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.

(b) The plan shall be acceptable to the Regional Director and the Division.

ALLOWANCE FOR LOAN AND LEASE LOSSES

9. (a) Within 30 days from the effective date of this ORDER, Reports of Condition and Income required by the FDIC filed by the Bank subsequent to October 6, 2008, but prior to the effective date of this ORDER, shall be amended and refiled if they do not reflect a provision for loan and lease losses and an ALLL which are adequate considering the condition of the Bank's loan portfolio.

(b) Prior to submission or publication of all Reports of Condition and Income required by the FDIC after the effective date of this ORDER, and on at least a quarterly basis, 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 require the review to address the following factors: the results of internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure on significant credits, concentrations of credit, present and prospective economic conditions, frequency of review, and the prevailing Instructions for the Preparation of Reports of Condition and Income, as well as any analysis of the Bank's ALLL provided by the FDIC or the Division.

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

(d) The ALLL methodology shall be improved to address the requirements of FAS 114 and FAS 5.

ASSET GROWTH

10. During the life of this ORDER, the Bank shall not increase its total assets by more than 5.0 percent during any consecutive three-month period without providing, at least 30 days prior to its implementation, a growth plan to the Regional Director and the Division. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth

plan shall not be implemented without the prior written consent of the Regional Director and the Division. In no event shall the Bank increase its total assets by more than 10.0 percent annually. For the purpose of this paragraph, "total assets" shall be defined as in the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income.

BUDGET AND PROFIT PLAN

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2009. The plan 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, including realistic growth and margin assumptions;

(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 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.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be completed at least 30 days prior to the beginning of the applicable calendar year.

(e) The profit plans and budgets required by this paragraph shall be acceptable to the Regional Director and the Division.

DIVIDEND RESTRICTION

12. The Bank shall not pay or declare any dividends without the prior written consent of the Regional Director and the Division.

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

13. (a) Within 60 days from the effective date of this ORDER, the Bank shall adopt and implement a liquidity and funds management program that incorporates the items discussed on pages 3 to 4 and 17 to 18 of the ROE of October 6, 2008. In addition, the liquidity and funds management program shall address the following:

(i) Reducing the Bank's reliance on non-core funding sources, including brokered funds and high-cost CDs;

(ii) Maintaining a liquid assets to total assets ratio, as defined in the ROE, of at least 10 percent;

(iii) Revising the Asset and Liability Management (ALM) Policy to include guidelines for measuring and monitoring funding risk;

(iv) Developing a Contingency Funding Plan that identifies alternative courses of action designed to meet the Bank's liquidity needs; and

(v) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996), and the Joint Supervisory Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) The liquidity and funds management program shall be acceptable to the Regional Director and the Division.

CONCENTRATION OF CREDIT

14. (a) Within 60 days of the effective date of this ORDER, the Bank shall determine specific limitations on concentrations of credit as a percentage of the Bank's Tier 1 capital to be implemented and adhered to by the Bank with respect to individual categories of credit described in the ROE. The limitations shall be acceptable to the Regional Director and the Division.

(b) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Division a written plan to reduce and monitor concentrations of credit, including but not limited to construction and land development loans and other commercial real estate, as a percentage of the Bank's total Tier 1 Capital. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

(i) Dollar levels to which the Bank shall reduce the concentrations 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) Within 30 days from the receipt of any comments from the Regional Director and the Division, and after the adoption of any recommended changes, the board of directors shall approve the written plan and any subsequent modification thereto, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and adhere to the written plan.

VIOLATIONS OF FDIC RULES AND REGULATIONS

15. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of Sections 323.4 and 323.5 of the FDIC Rules and Regulations and shall implement comprehensive procedures to ensure future compliance with all applicable laws, rules, and regulations.

PROGRESS REPORTS

16. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish written progress reports to the Regional Director and the Division detailing the form and manner of any action taken to secure compliance with each provision of this ORDER and the results thereof. In addition, the Bank shall furnish such other reports as requested by the Regional Director and the Division. All progress reports and other written responses to this ORDER shall be reviewed by the board of directors of the Bank and made a part of the minutes of the board meeting.

DISCLOSURE TO SHAREHOLDERS

17. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. 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 the Department of Financial and Professional Regulation, Division of Banking, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603, at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC and the Division shall be made prior to dissemination of the description, communication, notice or statement.

The effective date of this ORDER shall be ten (10) calendar days from the date of its issuance by the FDIC and the Division.

The provisions of this ORDER shall be binding upon the Bank and 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 the Division.

Pursuant to delegated authority.

Dated: May 27, 2009

M. Anthony Lowe

Jorge A. Solis

Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Director
Division of Banking
Illinois Department of Financial
and Professional Regulation