

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____)	
In the Matter of)	CONSENT ORDER
EDGEBROOK BANK)	
CHICAGO, ILLINOIS)	FDIC-11-411b
(State Chartered)	2011-DB-56
Insured Nonmember Bank))	
_____)	

Edgebrook 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 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, Section 392 et seq., regarding hearings before the Illinois Department of Financial and Professional Regulation, the Division of Banking ("Division"), and having waived those rights, by and through its duly elected and acting Board of

Directors ("Board") entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Division, dated May 31, 2012, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to weaknesses in capital, asset quality, and liquidity, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6) have been satisfied, the FDIC and the Division HEREBY ORDER, 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 take affirmative action as follows:

MANAGEMENT

1. (a) During the life of this ORDER, the Bank shall have and retain qualified management, including a Chief Credit Officer and appropriate numbers and types of senior loan officers with proven ability in upgrading a low quality loan portfolio. Each member of management shall have the

qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall be provided the necessary written authority 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, rules, and regulations;
- (iv) Comply with the Bank's approved policies and procedures; and
- (v) Restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to interest rate risk.

(c) As of the effective date of this ORDER, the Bank shall remove all lending authority from the current President of the Bank. For purposes of this paragraph, lending authority includes, but is not limited to, authority to make, renew, negotiate terms and conditions, or release, substitution, or

accept collateral for any loan, overdraft, or other extension of credit, either in his capacity as President, as a member of the board of directors, or as a member of any committee of the board of directors.

(d) 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 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).

MANAGEMENT PLAN

2. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director and the Division, who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or contract with the independent third party for review.

(c) The Management Study shall be completed within ninety (90) days from the effective date of this ORDER. The Management Study 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 senior 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;
- (iv) evaluation of all Bank officers' compensation, including salaries, director fees, and other benefits; and

(v) 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.

(d) The Bank shall formulate a plan to implement the recommendations of the Management Study ("Management Plan") and implement the Management Plan within thirty (30) days of the completion of the Management Study.

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

BOARD PARTICIPATION

3. (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; loan reports including new, overdue, renewed, extended, restructured, insider, non-accrual,

charged off, and recovered loans; investment activity; asset/liability and funds management reports; operating policies; personnel actions; and audit and supervisory reports. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) As of the effective date of this ORDER, the board of directors shall ensure that complete and accurate minutes of the Board and committee meetings are maintained, including documentation of the areas reviewed and approved and names of any dissenting directors and that the minutes adequately address the areas covered in this ORDER. The board of directors shall ensure that management reports are sufficient to provide the Board with timely and adequate information necessary for making business decisions on the basis of fully informed and meaningful deliberation.

(c) 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

4. (a) By June 30, 2012, 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 nine percent (9%) and its level of qualifying total capital as a percentage

of risk-weighted assets ("total risk based capital ratio") at a minimum of thirteen percent (13%). 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) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt, implement, and adhere to 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, for review. Any changes requested to be made in the materials by the FDIC or the Division shall be made prior to their dissemination.

(c) 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.

GROWTH RESTRICTION

5. While this ORDER is in effect, or until the Bank exceeds the capital requirements of this ORDER, the Bank will not have asset growth that exceeds three percent (3%) of the Bank's Average Total Assets as reported in the Report of Condition and Income of March 31, 2011.

COLLATERAL APPRAISALS

6. Within sixty (60) days of the effective date of this ORDER, the Bank shall obtain appraisals that comply with Part 323 of the FDIC's Rules and Regulations for the loans

designated as requiring appraisals or re-appraisals in the Report of Examination dated September 30, 2010 ("ROE").

LOSS CHARGE-OFF

7. As of the effective date of this Order the Bank shall charge off from its books and records any asset classified "Loss" in the ROE.

RECOGNITION OF NONACCRUAL LOANS

8. (a) As of the effective date of this ORDER, the Bank shall conform to its loan policy and recognize all applicable loans as in nonaccrual status.

(b) Any loan that is, has been, or becomes contractually past due ninety (90) days or more for principal, interest or maturity payment shall be placed on nonaccrual status and the Bank shall not recognize any unpaid interest income from the day the loan became ninety (90) days past due. Any payments made since the loan first became past due shall be used to reduce the principal balance.

(c) The return of any loan to accrual status shall be consistent with the Federal Financial Institutions Examination Council's ("FFIEC") Reports of Income and Condition instructions and glossary.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

9. (a) Within 45 days from the effective date of this ORDER, the Bank shall formulate and implement a written plan to

reduce the Bank's risk position in each asset in excess of \$250,000 which is more than 90 days delinquent or classified "Substandard" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources;
- (ii) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's position;
- (iii) Prohibit an extension of credit for the payment of interest;
- (iv) Establish dollar levels to which the Bank shall reduce each delinquency or classified asset within 6 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) 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 the Division.

(c) While this Order remains in effect, the plan shall be revised to include assets which become delinquent or are adversely classified at any subsequent examinations.

(d) The plan required by this paragraph shall be submitted to the Regional Director and the Division for review and comment.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

10. (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 extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the ROE.

(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", "Doubtful", or is listed for Special Mention in the ROE, and is uncollected unless the Bank's board of directors has provided the FDIC and the Division, 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 signed by each Director, and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

SPECIAL MENTION

11. Within 60 days from the effective date of this ORDER, the Bank shall implement procedures to reduce the incidence of loan underwriting deficiencies resulting in loans being listed for "Special Mention."

LOAN PARTICIPATIONS

12. Following the effective date of this ORDER, the Bank shall not repurchase any loan participations unless legally obligated to do so, if:

(a) the loan has been adversely classified by the FDIC and/or the Division and remains classified as of the date a repurchase is considered; or

(b) the loan exhibits any of the following characteristics:

(i) the loan is, or should be, in non-accrual status as defined in the instructions for the preparation of Reports of Condition and Reports of Income;

- (ii) principal or interest payments are more than 30 days past due;
- (iii) the terms of the loan have been renegotiated or compromised due to the deteriorating financial condition of the borrower.

CREDIT DATA/COLLATERAL DOCUMENTATION EXCEPTIONS

13. Effective immediately, the Bank shall require complete loan documentation, realistic repayment terms and current financial information adequate to support the outstanding indebtedness of each borrower. Such financial information shall include, at a minimum, detailed balance sheets, profit and loss statements, or copies of tax returns, and cash flow projections.

LOAN COMMITTEE

14. (a) As of the effective date of this ORDER, the Bank's loan committee shall meet as frequently as necessary to carry out the responsibilities assigned to the committee, but in no event less frequently than once a month. The loan committee shall include at least three independent directors. For purposes of this ORDER, a person who is an independent director shall be any individual:

- (i) who is not an officer of the Bank, any subsidiary of the Bank, or any of its affiliated organizations;
- (ii) who does not own more than three percent of the outstanding shares of the Bank;
- (iii) who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than three percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and
- (iv) who is not indebted to the Bank directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding three percent of the Bank's total Tier 1 capital and allowance for loan and lease losses;
or
- (v) who is deemed to be an independent director for purposes of this ORDER by the Regional Director and the Division.

(b) The loan committee shall, at a minimum, perform the following functions:

- (i) Evaluate, grant and/or approve loans in accordance with the Bank's loan policy, as revised and amended in compliance with this ORDER. The loan committee shall provide a thorough written explanation of any deviations from the loan policy, and such explanation shall address how the deviations are in the Bank's best interest. The written explanation shall be included in the minutes of the corresponding committee meeting.
- (ii) Review and monitor the status of repayment and collection of overdue and maturing loans, as well as all loans classified "substandard" or "doubtful" in the ROE or that are included on the Bank's internal watch list.
- (iii) Review and give prior written approval for all advances, renewals, or extensions of credit to any borrower or the borrower's related interests when the aggregate volume of credit extended to the borrower

and the borrower's related interests exceeds \$250,000. For purposes of this ORDER, the term "related interest" is defined pursuant to section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2(n).

(iv) Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, and their related interests, and prepare a written opinion as to whether the credit is in conformance with the Bank's loan policy and all applicable laws, rules, and regulations. Such applications, renewals, and written opinions shall be referred to the Bank's board of directors for consideration.

(v) Maintain written minutes of the committee meetings, including a record of the review and status of the aforementioned loans.

(c) All loan committee minutes shall be reviewed by the Bank's board of directors during the next scheduled meeting.

LOAN REVIEW

15. Within 60 days of the effective date of this ORDER, the board of directors shall revise its written loan review procedures. Loan review procedures shall be designed to identify and categorize problem credits and to assess the overall quality of the Bank's loan portfolio.

CONCENTRATIONS OF CREDIT

16. (a) Within 30 days from the effective date of this ORDER the Bank will formulate and implement a written plan to reduce the loan concentrations of credit identified in the ROE. Such plan shall include, but not be limited to:

- (i) Dollar levels to which the Bank shall reduce each concentration; and
- (ii) Provision for the submission of monthly written progress reports to the Bank's board of directors for review and notation in the minutes of the board of directors' meetings.

(b) The plan required by this paragraph shall be submitted to the Regional Director and the Division for review and comment.

PROFIT PLAN AND BUDGET

17. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and implement a written profit

plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2012 and 2013. 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, including growth and margin assumptions;
- (ii) Maintenance of an adequate Allowance for Loan and Lease Losses ("ALLL);
- (iii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iv) Identification of major areas in, and means by which, earnings will be improved;
- (v) A description of the operating assumptions that form the basis for

and adequately support major
projected income and expense
components; and

(vi) Clear assignment of responsibility
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.

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

(e) The plans and budgets required by this paragraph
shall be submitted to the Regional Director and the Division
for review and comment.

ALLOWANCE FOR LOAN AND LEASE LOSSES

18. (a) Within 30 days from the effective date of this
ORDER the Bank shall have and thereafter maintain an adequate
ALLL.

(b) Prior to submission or publication of all Reports of Condition and Income required by the FDIC and the Division 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 the Division.

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

AMENDED REPORTS OF CONDITION AND INCOME

19. Within thirty (30) days of the effective date of this ORDER, the Bank shall amend its Reports of Condition and Income starting with September 30, 2010, and for each subsequent quarter to reflect:

- (a) the loan loss provision recommended in the ROE;
- (b) the nonaccrual loan adjustments; and
- (c) the charge off of Loss required by the ROE.

DIVIDEND RESTRICTION

20. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Division.

CORRECTION OF VIOLATIONS

21. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the ROE.

NOTIFICATION TO SHAREHOLDER

22. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy 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.

PROGRESS REPORTS

23. 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 the Division 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 the Division

have, in writing, released the Bank from making further reports.

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

Pursuant to delegated authority.

Dated: May 31st, 2012.

M. Anthony Love
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Manuel Flores
Director
Division of Banking
Illinois Department of
Financial and Professional
Regulation