

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

_____)	
In the Matter of)	CONSENT ORDER
)	
STATE BANK OF COUNTRYSIDE)	FDIC-11-667b
COUNTRYSIDE, ILLINOIS)	
)	2011-DB-100
(STATE CHARTERED)	
INSURED NONMEMBER BANK))	
_____)	

State Bank of Countryside, Countryside, 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 392, regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking, ("Division"), and having waived those rights, entered into a

STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and the Division dated March 2, 2012, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices relating to Capital, Asset Quality, and Earnings, 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 decided 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) Within thirty (30) days from the effective date of this ORDER the Bank shall have and retain qualified management. Management shall be provided the necessary written authority to implement the provisions of this ORDER. Each

member of Management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. 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 capital adequacy, asset quality, management effectiveness, and earnings.

(b) During the life of this ORDER, the Bank shall notify the Division and the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") in writing of any changes in any of the Bank's directors or senior executive officers. 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, 12 U.S.C. § 1831i, and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

MANAGEMENT STUDY

2. (a) Within sixty (60) 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 developed 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 executive officers as defined by Federal Reserve Board Regulation O ("executive officers") needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification of both the type and number of staff required to monitor and resolve the Bank's problem assets;

- (iii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;
- (iv) Evaluation of all executive officers 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;
- (v) Evaluation of all executive officer compensation, including salaries and other benefits;
- (vi) 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) Within thirty (30) days after receipt of the Management Study the Bank shall formulate a plan ("**Management Plan**") to implement the recommendations of the Management Study.

(e) The Management Plan required by this paragraph shall be submitted to the Regional Director and the Division, and thereafter the Bank shall adopt, implement, and adhere to the Management Plan.

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; new, overdue, renewal, insider, charged off, concentrations of credit, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews (which shall include analysis of compliance with Appendix A to 12 C.F.R. Part 364), 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 sixty (60) days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

(c) Following the required date of compliance with subparagraph (b) above, 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 monthly board of directors' meeting.

CAPITAL

4. (a) Within one hundred-twenty (120) days 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 nine (9%) percent and its level of qualifying total capital as a percentage of risk-weighted assets (total risk based capital ratio) at a minimum of thirteen (13%) 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) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to this paragraph shall be in addition to a fully-funded allowance for loan and lease

losses, the adequacy of which shall be satisfactory to the Regional Director and the Division.

(c) Should the Bank be unable to comply with the required capital levels in subparagraph (a) above, within thirty (30) days of receipt of written direction from the Regional Director and the Division, the Bank shall develop, adopt, and implement a written contingency plan detailing how the Bank intends to comply with the requirements of this capital provision. Said plan shall include, at a minimum:

- (i) timelines for implementation;
- (ii) requirements that all transactions shall be consummated in full compliance with all laws, rules, and regulations; and
- (iii) contingency provisions for the sale or merger of the Bank or a capital investment into the Bank.

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

(e) 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 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 twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC's Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for its review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(f) 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 ten (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.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

5. (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 Joint Report of Examination dated June 30, 2011 ("ROE") or in any subsequent visitations or examinations, so long as such credit remains uncollected, unless the Bank's board of directors, or a Board Committee comprised of a majority of outside directors, has adopted, prior to such extension of credit, a detailed written statement giving reasons why such extension of credit is in the best interests of the Bank. A copy of the statement shall be signed by each Director, including any dissenting directors with dissent so noted, 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.

(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 or any subsequent visitations or examinations, 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 signed by each director, including any dissenting directors with dissent so noted, 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.

LOAN DOCUMENTATION AND ANALYSIS

6. 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, as a minimum, detailed balance sheets, profit and loss statements, and copies of tax returns and cash flow statements.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

7. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position

in each asset in excess of \$1,500,000 which is more than ninety (90) days delinquent or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Board provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;
- (ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value;
- (iii) Delineate areas of responsibility for loan officers;
- (iv) Establish updated dollar levels to which the Bank shall reduce delinquencies and classified assets within six (6) and twelve (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 for review and notation in minutes
of the meetings of the Board.

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

(d) While this ORDER remains in effect, the
written plan shall be revised to include assets which become
ninety (90) days or more delinquent after the effective date
of this ORDER, or are adversely classified or listed for
Special Mention at any subsequent examinations.

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. (a) After the effective date of this ORDER, and
prior to the submission of all Reports of Condition and
Income required by the FDIC, 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.

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

CONCENTRATIONS OF CREDIT

9. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a written policy to lessen concentrations of credit and diversify the Bank's asset base in a safe and sound manner. The policy shall adhere to the guidance provided by Financial Institution Letter (FIL) 104-2006, dated December 6, 2006.

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

DIVIDEND RESTRICTION

10. 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.

PROFIT PLAN AND BUDGET

11. (a) Within sixty (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 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) an identification of major areas in, and means means by which, the board will seek to improve the Bank's operating performance,
- (ii) realistic and comprehensive budgets;
- (iii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections; and,
- (iv) a description of the operating assumptions that form the basis for and adequately

support major projected income and expense components.

(c) Within thirty (30) days from the end of each calendar quarter following submission of the 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 the Division.

BUSINESS PLAN

12. During the life of this ORDER, the Bank shall obtain the prior written approval of the Regional Director and the Division for any proposed material change or deviation from its latest Business Plan.

NOTIFICATION TO SHAREHOLDER

13. 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.

QUARTERLY PROGRESS REPORTS

14. Within thirty (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.

This ORDER shall be effective on 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: March 9, 2022.



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



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