

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
)	
WHEATLAND BANK )	FDIC-09-308b
NAPERVILLE, ILLINOIS )	2009-DB-48
)	
(ILLINOIS CHARTERED )	
INSURED NONMEMBER BANK) )	
_____ )	

Wheatland Bank, Naperville, 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 38 Ill. Adm. Code, section 392.30, regarding hearings before the Federal Deposit Insurance Corporation ("FDIC") and the Illinois Department of Financial and Professional Regulation ("Division"), respectively, and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the FDIC

and the Division, dated December 18, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, 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 institutions-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. Within 60 days of the effective date of this ORDER, the Bank shall have and thereafter retain qualified management. At a minimum, such management shall include: (i) a president and chief executive officer with proven ability in managing a bank of comparable size and experience in upgrading a low quality loan portfolio; (ii) a senior lending officer with an appropriate level of lending, collection, and loan supervision experience for the type and quality of the Bank's loan portfolio; and (iii) a chief financial officer capable of

managing operations risks, including liquidity risk and interest rate risks.

(a) 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 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.

(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 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 OF DIRECTORS

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; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within 10 days from the effective date of this ORDER, the Bank's board of directors shall have a program in place that will provide for monitoring of the Bank's compliance with this ORDER.

(c) As of the effective date of this ORDER, the Bank shall maintain a sufficient number of independent directors so that a majority of the Bank's board of directors is composed of independent directors. One of the independent directors shall have prior banking experience and knowledge of construction and commercial real estate lending and shall participate as a full

member of the Loan Committee of the board of directors. If this knowledgeable, independent director should resign at any time while this ORDER remains in effect, the Bank shall replace that director with an equally qualified, independent director. For purposes of this ORDER, a person who is an independent director shall be any individual (a) who is not an officer of the Bank or any of its affiliated organizations; (b) who does not own more than 5 percent of the outstanding shares of the Bank; (c) who is not related by blood or marriage to an officer of or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and (d) who is not indebted to the Bank, directly or indirectly, by blood, marriage or common financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 capital and allowance for loan and lease losses. The addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's bylaws, by means of appointment or by election at a regular or special meeting of the Bank's shareholders.

#### CAPITAL

3. (a) Within 150 days from 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 10 percent and its level of qualifying total capital as a

percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 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) Any such 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; or
- (ii) 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;
- (iii) The collection in cash of assets previously charged off; or
- (iv) The direct contribution of cash by the directors and/or the shareholders of the Bank or its holding company; or
- (v) Any other means acceptable to the Regional Director or 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 the 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 any other material disclosures necessary to comply with the 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 the Illinois Department of Financial and Professional Regulation, Division of Banking, 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 paragraph of this ORDER, 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.

(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.

LOSS CHARGE-OFF

4. As of the effective date of this Order the Bank shall charge off from its books and records any loan classified "Loss" in the Joint Report of Examination, dated December 31, 2008 ("ROE"). Any such charged-off asset shall not be rebooked without the prior written consent of the Regional Director and the Division. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

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" 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 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 in the minutes of the applicable board of directors' meeting.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

6. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Division for review and comment, a written plan to reduce the Bank's risk position in each asset and credit relationship in excess of \$1,000,000 which is more than 90 days

delinquent or classified "Substandard" in the "ROE". A copy of the written plan shall be submitted to the Regional Director and the Division upon its completion. 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, the following:

(i) Specific strategies to 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 or the Division.

(d) Within 30 days from the receipt of any comment from the Regional Director and Division, and after the adoption of any recommended changes, the Bank shall approve the written plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow this written plan.

(e) While this ORDER remains in effect, the plan shall be revised to include assets which become adversely classified or criticized after the effective date of this ORDER or are adversely classified or criticized at any subsequent examination.

#### SPECIAL MENTION

7. (a) Within 90 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for "Special Mention" in the ROE.

(b) To the extent that any of the deficiencies noted in the items listed for Special Mention cannot be corrected within 90 days, the Bank shall provide the Regional Director and the Division a written statement indicating the identity of the borrower and giving an explanation of why the deficiencies could not be corrected.

#### LENDING AND COLLECTION POLICIES

8. 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 and address the weaknesses detailed in the ROE. The revised written loan policy shall be consistent with the Interagency Guidelines for Real Estate Lending Policies, 12 C.F.R. Part 365, Appendix A. The revised written loan policy and any subsequent modifications shall be submitted to the Regional Director and Division for review and comment upon their completion.

#### LIQUIDITY PLAN

9. (a) Within 30 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and Division for review and comment, a written plan addressing liquidity and rate sensitivity objectives. Annually thereafter during the life of this ORDER, the Bank shall review this plan for adequacy and, based upon such review, shall make appropriate revisions in the plan that are necessary to strengthen funds management procedures and maintain adequate provisions to meet the Bank's liquidity needs. A copy of the revised plan shall also be submitted to the Regional Director and Division upon its completion. The initial plan shall include, at a minimum, provisions:

- (i) Establishing an appropriate liquidity ratio and defining how the ratio is calculated;

- (ii) Establishing a desirable range for volatile liability dependency ratio as computed in the ROE;
- (iii) Requiring that monthly calculations of the liquidity and dependency ratios, following the format utilized in regulatory reports of examination, be provided to the board of directors for review, with such review noted in the board minutes;
- (iv) Identifying the source and use of borrowed and/or volatile funds;
- (v) Establishing an acceptable range for the relationship between rate sensitive assets and rate sensitive liabilities;
- (vi) Maintaining, where possible, appropriate lines of credit at correspondent banks, including the Federal Reserve Bank of Chicago, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity are inadequate;
- (vii) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient to ensure the maintenance

of the Bank's liquidity posture at a level consistent with short and long term liquidity objectives;

(viii) Establishing contingency plans to improve liquidity to the level established in the Bank's liquidity policy; and

(ix) Establishing parameters for borrowing federal funds such as limits concerning dollar amounts and duration and specifying authorized sources/lenders.

(b) Within 30 days from the receipt of all such comments from the Regional Director and the Division, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

(c) While this ORDER is in effect, the Bank shall submit to the Regional Director and the Division on each day the Bank is open for business a liquidity analysis report in a format that is acceptable to the Regional Director and the Division unless the Regional Director and the Division advise in writing that such reporting is no longer required.

DIVIDEND RESTRICTION

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

ALLOWANCE FOR LOAN AND LEASE LOSSES

11. (a) Within 10 days from the effective date of this ORDER, the Bank shall replenish its allowance for loan and lease losses ("ALLL") by the amount of at least \$7,050,000.

(b) Within 10 days from the effective date of this ORDER, Reports of Condition and Income required by the FDIC and the Division and filed by the Bank as of December 31, 2008 and those subsequent to the ROE, 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, and which, at a minimum, incorporate the adjustment required by the above subparagraph of this ORDER.

(c) 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 reserve 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 Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC and the Division.

(d) While this ORDER is in effect, the Bank shall submit to the Regional Director and Division the analysis supporting the determination of the adequacy of its ALLL. These submissions may be made at such times as the Bank files the progress reports otherwise required by the ORDER.

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

#### PROFIT PLAN AND BUDGET

12. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Division for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2010 and 2011. 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 net interest margin and 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. A copy of the

plan shall be submitted to the Regional Director and the Division upon its completion.

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

- (i) an identification of the major areas in, and 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;
- (iv) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components; and
- (v) periodic salary review.

(c) Within 30 days the end of each calendar quarter, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget 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.

(d) The written profit plan and budget required by this ORDER shall be prepared and submitted to the Regional Director and the Division for review and comment 30 days prior

to the end of each calendar year for which this ORDER is in effect. Within 30 days of receipt of all such comments from the Regional Director and the Division and after adoption of any recommended changes the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

#### CONCENTRATIONS OF CREDIT

13. Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Division for review and comment, a written plan to reduce each of the individual loan concentrations of credit (related loans which represent 25% or more of Tier 1 capital) identified in the ROE or arising thereafter. A copy of the written plan shall be submitted to the Regional Director and the Division upon its completion. Such plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to, the following:

- (i) Specific strategies to reduce each concentration 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.

CORRECTION OF VIOLATIONS

14. (a) Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and/or regulations and contraventions of policy statements 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, regulations, and policy statements.

RESTRICTION ON GROWTH

15. During the life of this ORDER, the Bank shall not increase its total assets by more than 3% 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 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 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 plan.

LOAN GRADING SYSTEM

16. (a) Within 30 days from the effective date of this ORDER, the Bank shall establish and implement a risk rating system consistent with the Interagency Guidelines Establishing Standards for Safety and Soundness, 12 C.F.R. Part 364, Appendix A(II)(G).

b. Within 90 days, the bank shall cause all commercial real estate, commercial credits, and consumer credits in excess of \$1,000,000 to be reviewed and risk rated in accordance with the new program.

NOTIFICATION TO SHAREHOLDERS

17. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a 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 the 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 17<sup>th</sup> Street, N.W., Washington, D.C. 20429 and to the Illinois Department of Financial and Professional Regulation, Division of Banking, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Division

shall be made prior to dissemination of the description, communication, notice or statement.

PROGRESS REPORTS

18. 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 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.

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: December 21, 2009.

\_\_\_\_\_/s/\_\_\_\_\_  
M. Anthony Lowe  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

\_\_\_\_\_/s/\_\_\_\_\_  
Jorge A. Solis  
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Division of Banking  
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