

STATE OF ILLINOIS  
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION  
AND  
FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

_____	)	
In the Matter of	)	
	)	CONSENT ORDER
ALL AMERICAN BANK	)	
Des Plaines, Illinois	)	DB NO. 2010-DB-09
	)	FDIC-09-551b
(Illinois Chartered	)	
Insured Nonmember Bank)	)	
_____	)	

All American Bank, Des Plaines, 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 38 Ill. Adm. Code, Section 392, et seq., regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking (the "Division"), and under Section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Division and the Federal Deposit

Insurance Corporation (the "FDIC"), dated January 15, 2010, whereby, solely for the purpose of this proceeding and without admitting or denying any charges of unsafe or unsound banking practices relating to asset quality, capital, and liquidity, and violations of law, rule, or regulation, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the Division and the FDIC.

The Division and the FDIC 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 Division and the FDIC 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:

CAPITAL

1. (a) Within 90 days from the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of 8.0%, and its level of qualifying total capital as a percentage of its total 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) 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 of the Chicago Regional Office of the FDIC ("Regional Director") and the Division.

(c) 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; or
- (ii) The elimination of all or part of the assets classified "Loss" as of April 27, 2009 without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged off pursuant to this ORDER; or
- (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 Division and the FDIC; or
- (vi) Any combination of the above means.

(d) 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 Scott D. Clarke, Assistant Director, Division of Banking, 122 South Michigan Avenue, Suite

1900, Chicago, Illinois 60603 and the FDIC Registration and Disclosure Section, 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429, for their review. Any changes requested to be made in the materials by the Division or FDIC shall be made prior to their dissemination.

(e) 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.

(f) 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.

#### MANAGEMENT REVIEW

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain an independent consultant

acceptable to the Regional Director and the Division. The independent consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank. The Management Plan shall be developed within 60 days from the effective date of this ORDER. The Management Plan 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 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.

(b) The Management Plan and any subsequent modification thereto shall be submitted to the Regional Director and Division for review and comment upon its completion or receipt. 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 Management Plan or any subsequent modifications, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and/or any subsequent modification.

#### MANAGEMENT

3. (a) During the life of this ORDER, and consistent with the findings of the Management Plan, the Bank shall have and thereafter retain qualified management. 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 asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to interest rate risk.

(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. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b), and includes any person identified by the Division and Regional Director, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank.

#### BOARD PARTICIPATION

4. (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; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's 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 15 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.

#### DIVIDEND RESTRICTION

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

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

6. (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 of April 27, 2009 ("ROE"), so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard" or is listed for Special Mention in the ROE and is uncollected, unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each director, placed in the appropriate loan file, and shall be incorporated in the minutes of the applicable board of directors' meeting.

LOSS CHARGE-OFF

7. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in the ROE that have not been previously collected or charged off. Any such charged-off asset shall not be rebooked without the prior written consent of the Division and Regional Director. 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.

REDUCTION OF DELINQUENCIES AND SUBSTANDARD ASSETS

8. (a) Within 45 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 which is delinquent or adversely 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) Prohibit an extension of credit for the payment of interest, unless the board of directors 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; and

(iii) Delineate areas of responsibility for loan officers;

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

(i) Dollar levels to which the Bank shall reduce delinquencies and classified assets within 12, 24 and 36 months from the effective date of this ORDER; and

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

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

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

(d) Within 30 days from the receipt of any comment from the Regional Director and Division and after 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.

ALLOWANCE FOR LOAN AND LEASE LOSSES

9. (a) Within 45 days from the effective date of this ORDER, the Bank shall replenish its allowance for loan and lease losses ("ALLL") in the amount of at least \$1,497,000.

(b) Within 60 days from the effective date of this ORDER, Reports of Condition and Income required by the FDIC and Division and filed by the Bank subsequent to March 31, 2009, 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 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 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 condition, frequency of review, and the Federal Financial Institutions Examination Council's Instructions for the Reports of Condition and Income as well as any analysis of the Bank's ALLL provided by the Division or the FDIC.

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

(e) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital and Total Risk Based capital determinations required by this ORDER.

#### REDUCTION OF CONCENTRATIONS

10. (a) Within 45 days from 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 Division and the Regional Director.

(b) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Division and Regional Director a written plan to reduce concentrations of credit, including, but not limited to, construction and speculative real estate 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 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.

(c) Within 30 days from the receipt of any comments from the Division and the Regional Director, 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.

#### BUDGET AND PROFIT PLAN

11. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate and submit to the Division and Regional Director a revised written profit plan and a realistic, comprehensive budget for all categories of income and expense

for the next two calendar years. 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) Within 30 days of receipt of comments from the Division and Regional Director, and after consideration of all such comments, the Bank shall approve the revised plan and budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the revised plan and budget.

(c) Within 30 days from the end of each calendar quarter following submission 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 plans and budgets, 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. A written summary of the evaluation of performance shall be submitted to the Regional Director and Division within ten days of the meeting of the Bank's board of directors.

#### CORRECTION OF VIOLATIONS

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

CONTINGENCY FUNDING PLAN

13. (a) Within 60 days of the effective date of this ORDER, the Bank shall adopt a written contingency funding plan ("Liquidity Plan"), which shall be acceptable to the Regional Director and Division. The plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one month, two months, and three months. At a minimum, the Liquidity Plan shall include provisions:

- (i) Establishing appropriate secured lines of credit at correspondent banks that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for contingency funding prove to be inadequate;
- (ii) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the

Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives; and

(iii) Conducting liquidity stress testing to simulate varying market conditions to aid in identifying alternative courses of actions to meet the Bank's funding needs.

(b) Within 30 days of the effective date of this ORDER, the Bank shall establish and maintain an account relationship with the Federal Reserve Bank of Chicago to exchange and settle payment transactions through a clearing account balance.

(c) On each week the Bank is open for business during the life of this ORDER, the Bank shall submit to the Regional Director and Division a weekly liquidity analysis report in a format that is acceptable to the Regional Director and the Division, which shall be prepared as of the Friday of the respective week.

#### DISCLOSURE TO SHAREHOLDERS

14. 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 Scott D. Clarke, Assistant Director, Division of Banking, 122 South Michigan Avenue, Suite 1900, Chicago, Illinois 60603 and the FDIC Registration and Disclosure Section 550 17<sup>th</sup> Street, N.W., Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the Division and FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

#### PROGRESS REPORTS

15. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Division and FDIC 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 Division and FDIC have, in writing, released the Bank from making further reports.

#### CLOSING PARAGRAPHS

The effective date of this ORDER shall be upon issuance by the Division and the FDIC.

