

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

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In the Matter of	)	
	)	
PARK NATIONAL BANK	)	NOTICE OF ASSESSMENT
CHICAGO, ILLINOIS	)	OF LIABILITY,
	)	FINDINGS OF FACT AND
(INSURED DEPOSITORY INSTITUTION)	)	CONCLUSIONS OF LAW,
	)	ORDER TO
Related to	)	IMMEDIATELY PAY
	)	LIABILITY, AND
	)	NOTICE OF HEARING
CALIFORNIA NATIONAL BANK	)	
LOS ANGELES, CALIFORNIA	)	FDIC-09-582kk
	)	
SAN DIEGO NATIONAL BANK	)	
SAN DIEGO, CALIFORNIA	)	
	)	
PACIFIC NATIONAL BANK	)	
SAN FRANCISCO, CALIFORNIA	)	
	)	
NORTH HOUSTON BANK	)	
HOUSTON, TEXAS	)	
	)	
MADISONVILLE STATE BANK	)	
MADISONVILLE, TEXAS	)	
	)	
BANK USA, NATIONAL ASSOCIATION	)	
PHOENIX, ARIZONA	)	
	)	
COMMUNITY BANK OF LEMONT	)	
LEMONT, ILLINOIS	)	
	)	
(COMMONLY CONTROLLED	)	
DEPOSITORY INSTITUTIONS)	)	

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NOTICE OF ASSESSMENT OF LIABILITY

WHEREAS, on October 30, 2009, pursuant to the provisions of 12 U.S.C. §§ 191 and 1821(c), the Comptroller of the Currency (“Comptroller”) determined that grounds exist for the

appointment of a receiver for California National Bank, Los Angeles, California, San Diego National Bank, San Diego, California, Pacific National Bank, San Francisco, California, and Bank USA, National Association, Phoenix, Arizona; and

WHEREAS, on October 30, 2009, the Banking Commissioner of the State of Texas (“Commissioner”) determined to close North Houston Bank, Houston, Texas, and Madisonville State Bank, Madisonville, Texas, and to tender both to the Federal Deposit Insurance Corporation (“FDIC”) as receiver and liquidating agent under the laws of the State of Texas; and

WHEREAS, on October 30, 2009, the Director of the Illinois Division of Banking (“Director”) determined that grounds exist under the laws of the State of Illinois for the appointment of a receiver for Community Bank of Lemont, Lemont, Illinois (together with the depository institutions listed in the two recitals above (“Banks”)); and

WHEREAS, on October 30, 2009, the Comptroller, the Commissioner, and the Director each appointed the FDIC as receiver of the Banks;

WHEREAS, the FDIC has incurred or reasonably anticipates incurring loss in connection with such default of the Banks; and

WHEREAS, Park National Bank, Chicago, Illinois (“Liable Institution”) and the Banks are commonly controlled depository institutions as defined in 12 U.S.C. § 1815(e)(8).

NOW, THEREFORE, pursuant to the provisions of 12 U.S.C. § 1815(e) and the FDIC's Rules of Practice and Procedure, 12 C.F.R. Part 308, the FDIC hereby issues this NOTICE OF ASSESSMENT OF LIABILITY, FINDINGS OF FACT AND CONCLUSIONS OF LAW, ORDER TO IMMEDIATELY PAY LIABILITY, AND NOTICE OF HEARING (“NOTICE”) against the Liable Institution. In support thereof, the FDIC finds and concludes the following:

## FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. California National Bank, San Diego National Bank, Pacific National Bank, and Bank USA, National Association, were all national banks doing business under the laws of the United States. California National Bank had its principal place of business in Los Angeles, California. San Diego National Bank had its principal place of business in San Diego, California. Pacific National Bank had its principal place of business in San Francisco, California. Bank USA, National Association had its principal place of business in Phoenix, Arizona. Each of these Banks was, at all times pertinent to this proceeding, an insured depository institution subject to the Federal Deposit Insurance Act, 12 U.S.C. §§ 1811-1831aa (“Act”), rules and regulations of the Comptroller and the FDIC, 12 C.F.R. Chapters I and III, and those laws of the United States administered by the Comptroller, including the National Bank Act, 12 U.S.C. § 1 *et seq.*

2. North Houston Bank and Madisonville State Bank were state nonmember banks doing business under the laws of the State of Texas. North Houston Bank had its principal place of business in Houston, Texas. Madisonville State Bank had its principal place of business in Madisonville, Texas. Each of these Banks was, at all times pertinent to this proceeding, an insured depository institution subject to the Act, rules and regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Texas.

3. Community Bank of Lemont was a state nonmember bank doing business under the laws of the State of Illinois with its principal place of business in Lemont, Illinois. Community Bank of Lemont was, at all times pertinent to this proceeding, an insured depository institution subject to the Act, rules and regulations of the FDIC, 12 C.F.R. Chapter III, and the laws of the State of Illinois.

4. The Liable Institution is a national bank doing business under the laws of the United States and having its principal place of business in Chicago, Illinois. The Liable Institution is,

and has been, at all times pertinent to this proceeding, an insured depository institution subject to the Act, rules and regulations of the Comptroller and the FDIC, 12 C.F.R. Chapters I and III, and the laws of the United States administered by the Comptroller, including the National Bank Act, 12 U.S.C. § 1 *et seq.*

5. At all times pertinent to this proceeding, the Banks and the Liable Institution were each “insured depository institutions” as defined in 12 U.S.C. § 1813(c)(2).

6. At all times pertinent to this proceeding, the Banks and the Liable Institution were owned and controlled by the same holding company, FBOP Corporation, Oak Park, Illinois. Therefore, the Banks and the Liable Institution were “commonly controlled” depository institutions as defined in 12 U.S.C. § 1815(e)(8).

7. The FDIC has jurisdiction over the Banks, the Liable Institution, and the subject matter of this proceeding.

8. On October 30, 2009, the Comptroller determined that grounds exist for the appointment of a receiver for California National Bank, San Diego National Bank, Pacific National Bank, and Bank USA, National Association pursuant to 12 U.S.C. §§ 191 and 1821(c), and appointed the FDIC receiver for each.

9. On October 30, 2009, the Commissioner determined to close North Houston Bank and Madisonville State Bank and to tender both to the FDIC as receiver and liquidating agent under the laws of the State of Texas.

10. On October 30, 2009, the Director determined that grounds exist for the appointment of a receiver for Community Bank of Lemont pursuant to the laws of the State of Illinois and appointed the FDIC receiver.

11. By reason of the receivership of the Banks, each of the Banks was in “default” as that term is defined in 12 U.S.C. § 1813(x)(1).

12. In its capacity as receiver of the Banks, the FDIC transferred certain of the assets of the Banks to an acquiring institution in return for the assumption by the acquiring institution of certain of the Banks' deposit and other liabilities.

13. The Banks' financial condition was:

- a. Gross assets of the Banks equaled \$14,819,964,000 (9/30/09);
- b. Total loans equaled \$9,676,171,000 (9/30/09);
- c. Total liabilities equaled \$13,926,999,000 (9/30/09);
- d. Total deposits equaled \$11,600,975,000 (9/30/09); and
- e. Uninsured deposits totaled \$58,888,000.

14. As a result of the purchase and assumption transaction for the Banks mentioned in paragraph 12 above, the discount bids totaled \$452,206,456 for the offered Banks. Those bids reflect a deposit premium of 1.1 percent for Madisonville State Bank, 1 percent for North Houston Bank, and 0.25 percent for Community Bank of Lemont and Bank USA, National Association; none of the other, larger banks included a deposit premium. The method the FDIC used to calculate the estimated loss from the Banks was based on the actual purchase and assumption bids, which included a loss share component. The loss figure includes anticipated administrative expenses of the receivership, costs of monitoring the loss share transaction, and an advisor-prepared estimate of the expected loss to the FDIC from the loss share component of the transaction. Under this loss sharing arrangement, the FDIC has agreed to absorb a portion of the loss on a specified pool of assets in order to maximize total asset recoveries and minimize FDIC losses from the Banks. Credit losses will be split between the purchaser (20 percent) and the FDIC (80 percent) up to the FDIC's stated threshold of \$2,335,000,000. Losses then will be split between the purchaser (5 percent) and the FDIC (95 percent) for all losses over this threshold. The term on the loss share agreement is 10 years for single family loans and 5 years for losses with 3 more years for recoveries on commercial assets. Factors in the method the

FDIC used for determining the cost of the transaction included the gross book value of assets acquired, liabilities assumed, deposit premium or discount, and asset premium or discount. To assist in calculating estimated losses on the assets of the Banks, the FDIC consulted with independent valuation advisors. The FDIC considered the estimated probability of default on loans. Using the actual bids information and the other factors described herein, the good faith estimate of the total loss to the FDIC is \$1,852,339,000.

15. Pursuant to the default of the Banks described in paragraphs 8 through 10, the loss incurred, or likely to be incurred, by the FDIC is estimated to be in the amount of \$1,852,339,000.

16. As a result of its relationship to the Banks as described in paragraph 6 and pursuant to 12 U.S.C. § 1815(e)(1)(A)(i), which provides that any insured depository institution shall be liable for any loss incurred by the FDIC, or any loss which the FDIC reasonably anticipates incurring, in connection with the default of a commonly controlled insured depository institution, the Liable Institution is liable to the FDIC for the amount of \$1,734,101,000. That is the portion of the total FDIC loss attributable to the Liable Institution incurred or reasonably anticipated to be incurred by the FDIC in connection with the default of the Banks. In addition to the Liable Institution, another surviving commonly controlled insured depository institution, Citizens National Bank, Teague, Texas, is also liable to the FDIC for a portion of the loss from the default of the Banks, and the share of the loss attributable to Citizens National Bank is \$118,238,000. Together, the Liable Institution and Citizens National Bank are liable to the FDIC for the entire amount of the Banks' loss the FDIC has incurred or reasonably anticipates incurring of \$1,852,339,000.

ORDER TO IMMEDIATELY PAY LIABILITY

After consideration of the foregoing and such other matters as justice may require, it is:  
ORDERED, that by reason of the factors set forth above, the amount of \$1,734,101,000 is hereby assessed against the Liable Institution pursuant to 12 U.S.C. § 1815(e)(2)(A). Pursuant to the provisions of 12 U.S.C. § 1815(e)(2)(B), the FDIC has consulted with the Comptroller and now demands that payment of this amount shall be satisfied by the direct, immediate payment, in cash, to the FDIC by the Liable Institution. The ORDER TO IMMEDIATELY PAY LIABILITY accompanies this NOTICE.

NOTICE OF HEARING

IT IS FURTHER ORDERED, that the Liable Institution shall file an answer and may request a hearing within twenty (20) days after the date of receipt of this NOTICE pursuant to 12 C.F.R. § 308.19. The answer, any such request for a hearing, and all other documents must be filed in writing with the Office of Financial Institution Adjudication, 3501 North Fairfax Drive, Suite VS-D8116, Arlington, VA 22226-3500. The Liable Institution is encouraged to file any answer and request for a hearing electronically with the Office of Financial Institution Adjudication at [ofia@fdic.gov](mailto:ofia@fdic.gov).

Copies of all papers filed in this proceeding shall be served upon the Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, N.W., Washington, D.C. 20429; A.T. Dill, III, Assistant General Counsel, Enforcement, Federal Deposit Insurance Corporation, 550 17th Street, N.W. Washington, D.C. 20429; and Timothy Divis, Regional

