FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS

INDIANAPOLIS, INDIANA

In the Matter of UNITED COMMERCE BANK BLOOMINGTON, INDIANA (STATE CHARTERED INSURED NONMEMBER BANK)	)	CONSENT ORDER FDIC-11-390b

United Commerce Bank, Bloomington, Indiana (“**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 Indiana Code §§ 28-11-4 *et seq.*, regarding hearings before the Department of Financial Institutions for the State of Indiana ("**DFI**"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER (“**CONSENT AGREEMENT**”) with representatives of the Federal Deposit Insurance Corporation (“**FDIC**”) and the DFI dated

September 8, 2011, 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, Management, and Earnings, the Bank consented to the issuance of a CONSENT ORDER ("**ORDER**") by the FDIC and the DFI.

The FDIC and the DFI considered the matter and determined to accept the CONSENT AGREEMENT.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Indiana Code §§ 28-11-4 *et seq.* have been satisfied, the FDIC and DFI **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) 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. 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;

(v) identify and properly account for impaired loans; and

(vi) 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.

(b) During the life of this ORDER, prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Director of the DFI ("**Director**") and the Regional Director of the FDIC, Chicago Region ("**Regional Director**"). 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).

BOARD PARTICIPATION

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: Allowance for Loan and Lease Losses ("**ALLL**") analysis and adequacy, 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 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 thirty (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

3. (a) No later than December 31, 2011 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 eight and one-half (8.5%) percent and its level of qualifying total capital as a percentage of risk-weighted assets ("**total risk based capital ratio**") at a minimum of twelve (12%) percent, and no later than March 31, 2012 shall have and maintain a capital ratio at a minimum of nine (9.0%) percent and its total risk based capital ratio at a minimum of twelve (12.0%) 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. The capital ratios required by this paragraph shall not negate the responsibility of the Bank and its Board 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.

(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 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 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 DFI, 30 South Meridian Street, Suite 300, Indianapolis, Indiana 46204 and to the FDIC's Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429, for their review. Any changes requested to be made in the materials by the DFI or the FDIC 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 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.

(d) Should the Bank be unable to reach the required capital levels specified above by the December 31, 2011 and March 31, 2012 deadlines, as applicable, within thirty (30) days of receipt of written direction from the Regional Director and the Director, the Bank shall, develop, adopt, and implement a written contingency plan to sell or merge itself into another federally insured financial institution. A copy of the plan required by this paragraph shall be submitted to, and acceptable by, the Regional Director and the Director.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

4. (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 May 9, 2011 Report of Examination ("**Report**"), 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 who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been classified "Substandard" in the Report, or is internally graded "Substandard" or "Doubtful" by the Bank, and is uncollected, unless the Bank's board of directors or the Directors Loan Committee 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 or member of the Directors Loan Committee, and incorporated in the minutes of the applicable board of directors' meeting or Directors Loan Committee meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

5. (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 $100,000 which is more than ninety (90) days delinquent, classified "Substandard" in the Report, or internally classified "Substandard" or "Doubtful" by the Bank. 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 and ongoing 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 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 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 DFI and the FDIC.

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

(d) While this ORDER remains in effect, the plan shall be revised to include assets which become more than ninety (90) days delinquent after the effective date of this ORDER, are adversely classified by the DFI or FDIC at any subsequent examination, or internally reclassified "Substandard" or "Doubtful" by the Bank.

(e) While this ORDER remains in effect, updated six (6) and twelve (12) month balance projections shall be developed quarterly for each asset covered by this provision. A copy of the revised balance projections shall be provided with each quarterly progress report to the Director and Regional Director.

<u>LIQUIDITY PLAN</u>

6. Within sixty (60) days from the date of this Order, the Bank shall formulate and adopt a plan for improving liquidity and reducing the dependency upon potentially volatile liabilities to

fund loans and long-term assets. The liquidity plan shall be forwarded to the Director and to the Regional Director for review and comment. The plan shall include, but not be limited to, the following:

(a) target percentage levels to which the Bank will reduce the volume of loans and other long-term assets which are funded by potentially volatile liabilities within six (6) and twelve (12) months from the date of this Order; and

(b) target percentage levels to which the Bank will reduce the relationship of loans to assets within six (6) and twelve (12) months from the date of this Order.

DIVIDEND RESTRICTION

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

ALLOWANCE FOR LOAN AND LEASE LOSSES

8. (a) Within thirty (30) days from the date of this Order, the Bank shall provide a minimum of $1,350,000 to the ALLL and reflect this provision in the June 30, 2011 Report of Income and Condition; and

(b) After the effective date of this ORDER and prior to submission or publication of all Reports of Condition and Income required by the DFI and 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 FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the DFI or the FDIC.

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

PROFIT PLAN AND BUDGET

9. (a) No later than November 30, 2011, 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 year 2012. 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 identify the major areas in, and means by which, earnings will be improved, 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;

(ii) a budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;

(iii) identification of major areas in, and means by, which earnings will be improved; 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 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) Not later than November 30 of each year for which this ORDER is in effect, a written profit plan and budget shall be prepared for each succeeding calendar year.

(e) Copies of the plans and budgets required by this paragraph shall be submitted to the Director and the Regional Director.

CONCENTRATIONS OF CREDIT

10. (a) Within thirty (30) days from the effective date of this Order the Bank shall formulate, adopt and implement a written plan to reduce the loan concentrations of credit identified in the Report. At a minimum, the plan must provide for written procedures for the ongoing measurement and monitoring of the concentrations of credit and a limit on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank.

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

NOTIFICATION TO SHAREHOLDER

11. 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

12. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Director and the Regional Director 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 issuance.

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 DFI and the FDIC.

Pursuant to delegated authority.

Dated: September 12, 2011.

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

/s
David H. Mills
Director
Department of Financial Institutions
State of Indiana