

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

_____)	
In the Matter of)	ORDER TO CEASE AND DESIST
)	
ALL AMERICAN BANK,)	
Des Plaines, Illinois)	DB NO. 2006-DB-08
)	
(Illinois Chartered)	FDIC-06-052B
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 392.30, 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 AN ORDER TO CEASE AND DESIST (“STIPULATION”) with representatives of the Division and the Federal Deposit Insurance Corporation (the “FDIC”), dated May 8, 2006, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations

of law, rule, or regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST (“ORDER”) by the Division and the FDIC.

The Division and the FDIC considered the matter and determined that there was reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws, rules, or regulations. The Division and the FDIC, therefore, accepted the STIPULATION and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, 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, cease and desist from the following unsafe or unsound banking practices and violations of law, rule, or regulation:

- A. Operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule, or regulation;
- B. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of deposits;
- C. Operating with an inadequate allowance for loan and lease losses (“ALLL”) for the volume, kind, and quality of loans and leases held;
- D. Engaging in hazardous lending and lax collection practices including but not limited to:
 - (i) Failing to establish and enforce adequate loan repayment programs;
 - (ii) Failing to provide for the type and quality of loan underwriting and credit analysis consistent with prudent industry standards;

- (iii) Failing to identify problem credits in a timely manner;
 - (iv) Extending credit to borrowers without adequate repayment capacity or sufficient cash flow from the project financed; and
 - (v) Extending excessive overdrafts.
- E. Operating with inadequate internal routine and controls, including:
- (i) Operating with an inadequate interest rate risk management system;
 - (ii) Operating with an inadequate audit program; and
 - (iii) Operating with an inadequate internal system to insure the accuracy of books and records;
- F. Operating with inadequate liquidity in light of the Bank's asset and liability mix.
- G. Violating laws, rules, or regulations, including:
- (i) Failing to maintain suitable books and records as is required under Section 16 of the Illinois Banking Act, [205 ILCS 5/1], (the "Illinois Act");
 - (ii) Failing to conduct required board meeting as provided under Section 16 of the Illinois Act;
 - (iii) Failing to obtain the approval of the Division prior to purchasing securities issued by a bank or holding company owned exclusively by depository institutions, in violation of the provisions established under Section 5(5) of the Illinois Act;
 - (iv) Failing to comply with the requirements established under Division of Banking Rule 340.30 with respect to loans or credit extended to officers, employees and directors;
 - (v) Failing to comply with Part 304 of the FDIC Rules and Regulations ("Part 304"), 12 C.F.R. Part 304, with respect to the preparation and submission of Consolidated Reports of Condition and Income; and

- (vi) Failing to comply with Part 323 of the FDIC Rules and Regulations, (“Part 323”) C.F.R. Part 323, with respect to obtaining required real estate appraisals in connection with the extension of loans or credit;
- H. Violating provisions of the Division ORDER Issuing Charter numbered 2005-BTC-22 effective August 12, 2005.
- I. Violating a provision of the FDIC ORDER granting deposit insurance effective February 28, 2005.

IT IS FURTHER ORDERED, 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:

- 1. (a) Within 90 days from the effective date of this ORDER, the Bank shall have and retain qualified management. At a minimum, such management shall include a new chief executive officer or president with proven ability in managing a bank of comparable size and complexity. Such person 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; and
 - (iv) Restore all aspects of the Bank to a safe and sound condition, including asset quality, earnings, management effectiveness, and liquidity.
- (b) During the life of this ORDER, the Bank shall notify the Division and the Regional Director of the Chicago Regional Office of the FDIC (“Regional Director”) in writing of any changes in any of the Bank’s management. For purposes of this ORDER, “management” is defined as members of the board of

directors and “senior executive officers,” as that term is defined 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), including any person identified by the Division and the FDIC, whether or not hired as an employee, with significant influence over, or who participates in, major policy making decisions of the Bank.

- (c) Prior to the addition of any director or the employment of any senior executive officer, the Bank shall comply with the requirements of Section 32 of the FDI Act (“Section 32”), 12 U.S.C. 1831 (i) and Subpart F of Part 303 of the FDIC Rules and Regulations (“Subpart F”), 12 C.F.R. Part 303, Subpart F. In addition, prior to the addition of any director or the employment of any senior executive officer, the Bank shall request and obtain the written approval of the Division.
2. (a) Within 120 days from the effective date of this ORDER, the Bank shall formulate and submit to the Division and Regional Director for review and comment, a written strategic plan to establish the direction and goals of the Bank. The strategic plan shall include a detailed assessment of the Bank's present and anticipated future market area(s) as well as personnel and financial resources and operating circumstances unique to the Bank. The strategic plan shall also include a realistic profit plan and comprehensive budget. The written profit plan shall, at a minimum:
- (i) Establish realistic asset growth and margin assumptions;
 - (ii) Establish realistic core deposit growth projections and strategies associated therewith;
 - (iii) Require the Bank to maintain an adequate ALLL reserve; and

- (iv) Establish assignments of responsibility for implementing these plans.
 - (b) After receiving comments from the Division and Regional Director and making any necessary modifications to the strategic plan, the Board shall adopt, implement, and follow the strategic plan. The strategic plan shall be reviewed by the Board periodically and revised as appropriate.
 - (c) At the end of each calendar quarter, the Board shall evaluate the Bank's actual performance in relation to the plan and budget required by this paragraph and record the results of the evaluations, and any actions taken by the Bank, in the minutes of a Board meeting at which such evaluation is undertaken.
- 3.
- (a) Within 30 days from the effective date of this ORDER, the Bank shall make an additional provision for loan and lease losses which, after review and consideration by the Bank's board of directors, reflects the potential for further losses in the remaining loans and leases classified "substandard" and all other loans and leases in the Bank's loan portfolio.
 - (b) 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 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 Division or the FDIC.

4. (a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Division and Regional Director for review and comment acceptable revised written loan and lease policies and procedures to include all aspects of the Bank's current and planned future lending activities, including any lending program targeted to specialty markets or borrowers.
- (b) After receiving comments from the Division and Regional Director and making any necessary modifications to the policies and procedures, the Board shall adopt and implement the plan.

Such revised loan and lease policies and procedures shall, at a minimum:

- (i) Establish underwriting standards for all loans;
- (ii) Require guidelines for a credit and cash flow analysis to be performed on each new extension of credit to permit full assessment of the borrower's financial capacity and the documentation of such analysis;
- (iii) Require a written analysis of each proposed extension of credit in excess of \$50,000, including without limitation, source of repayment, collateral value and verification, character of the borrower, the borrower's financial condition, and a review of the proposed extension of credit's compliance with the Bank's loan policies and procedures, as amended pursuant to this ORDER;
- (iv) Establish guidelines on the collateral requirements for all loans;
- (v) Establish individual credit approval limits for Bank officers and the Bank's Loan Committee, and procedures for subsequent review by the Board; and
- (vi) Require guidelines for a monthly status report for any out-of-territory extensions of credit and quarterly reports to the Board on the status of the out-of-territory loans.

5. (a) Within 90 days of the effective date of this ORDER, the Bank shall develop and submit to the Division and the Regional Director for review and comment written loan and lease review procedures.
- (b) After receiving comments from the Division and Regional Director and making any necessary modifications to the policies and procedures, the Board shall adopt and implement the procedures.

The loan review procedures shall be designed to identify and categorize problem credits and to assess the overall quality of the Bank's loan portfolio. The loan review procedures shall, at a minimum:

- (i) Establish procedures to confirm the accuracy of all risk grades assigned by the Bank's loan officers;
 - (ii) Establish procedures to identify deteriorating loans and leases which ensure the timely placement of credits on the watch list;
 - (iii) Require for each loan identified as a watch list loan, a written statement maintained in the appropriate credit files of the reason(s) why such loan merits special attention; and
 - (iv) Require monthly written reports to the Board of the status of each watch list loan and the action(s) taken by Bank management to improve the Bank's position on each watch list loan.
6. (a) Within 90 days of the effective date of this ORDER, the Bank shall establish an independent loan and lease review function staffed by personnel with demonstrated experience in credit review who have no lending or leasing authority, whose responsibility it will be to review the following:
 - (i) On a quarterly basis, all extensions of credit that are adversely classified, past due 90 days or more, otherwise listed on the Bank's watch list, or

possessing, in the judgment of Bank management, more than a normal degree of risk of loss; and

(ii) Annually, at a minimum, all extensions of credit to a single borrower and the borrower's related interest(s) that in the aggregate exceed \$100,000.

(b) In order to comply with the items listed in (i) and (ii) above, the Board may hire an independent bank consultant who is acceptable to the Division and the Regional Director, or assign Bank personnel to conduct the reviews.

7. (a) After the effective date of this ORDER the Bank shall not, directly or indirectly extend any additional credit to any borrower whose loan has been classified substandard at the Division's examination (Examination), and included in the Division's Report of Examination (Report), unless the loan committee certifies in writing that it has affirmatively determined that:

(i) The additional extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted; and

(ii) The additional credit is in full compliance with the Bank's written loan policy and the Bank's legal lending limit, and is adequately secured, a thorough credit analysis has been performed indicating that the additional extension of credit is reasonable and justified, all necessary documentation (including title and lien documents) have been properly and accurately reported and filed, the Bank has a satisfactory appraisal of the collateral supporting the extension of credit, that the extension will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the Board reasonably believes that the additional extension of credit will be repaid according to its terms. The loan committee's certification, together with the credit analysis and related information that was used in

the determination, shall be maintained by the Bank for subsequent supervisory review.

8. After the effective date of this ORDER, the Bank shall not approve, disburse, or renew any extensions of credit that are not authorized by the Board's loan policy and without first acquiring:
 - (i) Complete documentation to perfect a security interest in any collateral;
 - (ii) A reliable assessment of the value of the collateral; and
 - (iii) Current financial statements.

9. After the effective date of this ORDER, the Bank shall implement the following lending authority thresholds:
 - (i) The Bank 's Chief Executive Officer and/or Chief Credit Officer shall have the authority to approve loans in an amount up to and inclusive of \$100,000;
 - (ii) The Bank's Loan Committee shall have the authority to approve loans in an amount up to and inclusive of \$250,000; and
 - (iii) The Bank's board of directors shall approve all loans in an amount in excess of \$250,000.

10. Within 90 days of the effective date of this ORDER, the Bank shall correct, to the satisfaction of the Division and Regional Director, the loan documentation deficiencies identified at the Division's Examination.

11. (a) The Bank shall immediately allocate the necessary resources to return the Bank's books and records to a complete and accurate state. By September 30, 2006, the Bank shall restore its books and records to a complete and accurate state and shall continue to maintain accurate books and records. All account differences existing

as of December 31, 2005 that are unresolved by September 30, 2006 shall be immediately charged off from the Bank's books.

- (b) During the life of this ORDER, all accounting differences for entries dated subsequent to December 31, 2005 shall be charged off from the Bank's books if not reconciled and balanced within 90 days of the date of the entry.
12. (a) Within 120 days from the effective date of this ORDER, the Bank shall develop and submit to the Division and the Regional Director for review and comment written Market Risk review procedures.
- (b) After receiving comments from the Division and Regional Director and making any necessary modifications to the Market Risk review procedures, the Board shall adopt and implement the procedures.

The Market Risk review procedures shall at a minimum:

- (i) Establish an adequate model for managing and monitoring the Bank's sensitivity to market risk; and
 - (ii) Establish a formal plan for reducing the imbalance between rate sensitive assets and liabilities.
13. (a) Within 90 days from the effective date of this ORDER, the Bank's board of directors shall formulate, and submit to the Division and the Regional Director for review and opportunity to comment, a plan for managing interest rate risk in a manner that is appropriate to the size of the institution and the complexity of its assets. The interest rate risk plan shall outline the specific actions that management will take to correct the imbalance in the Bank's interest rate sensitive assets and liabilities and the projected time frame for such actions.

- (b) After receiving comments from the Division and Regional Director and making any necessary modifications to the interest rate risk plan, the Board shall adopt and implement the procedures.
- 14.
 - (a) Within 90 days from the effective date of this ORDER, the Bank's board of directors shall adopt and implement a comprehensive written audit program. At a minimum, the audit program shall provide the following:
 - (i) The internal auditor shall make written quarterly reports of audit findings directly to the Bank's board of directors, or Committee, whose findings and any action taken as a result of the findings shall be recorded in the minutes of the meetings of the board; and
 - (ii) The Bank shall provide the Division and the Regional Director with a copy of all external audit reports within 10 days of the Bank's receipt of such report(s).
 - (b) The Bank shall thereafter implement and enforce an effective system of internal and external audits. A copy of the audit program should be submitted to the Regional Director and Division upon its completion.
- 15.
 - (a) Within 90 days of the effective date of this ORDER, the Bank shall file an amended call report for the year ending December 31, 2005.
 - (b) The Bank shall report all adjustments to the Bank's books, which are required.
- 16. Within 180 days from the effective date of this ORDER, management shall update the bank's business continuity and disaster recovery plans as recommended in the Division Report of Examination Dated December 31, 2005.
- 17.
 - (a) Within 90 days from the effective date of this ORDER, management shall have an independent network/internet vulnerability test performed as recommended in the Division Report of Examination Dated December 31, 2005.

- (b) Thereafter, the Bank shall ensure that a network/internet vulnerability test is performed on an annual basis.
- 18. Within 30 days from the effective date of this ORDER, the Bank shall correct, to the satisfaction of the Division and Regional Director, all correctable violations of law and regulations identified at the Division's Examination.
- 19. Within 30 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules and regulations.
- 20. Within 30 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.
- 21.
 - (a) Within 30 days following the end of every calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Division and the Regional Director written progress reports, signed by each member of the Bank's board of directors, detailing the form and manner of any actions taken to secure compliance with this ORDER.
 - (b) Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Division and the Regional Director have, in writing, released the Bank from making further reports.
- 22. After the effective date of this ORDER, the Bank shall not establish or acquire any subsidiary or engage in any new line of business without the prior written approval of the Division and Regional Director.
- 23.
 - (a) After the effective date of this ORDER, the Bank shall send a copy of this ORDER or otherwise furnish a description of this ORDER to the shareholders of the Bank:
 - (i) In conjunction with the next shareholder communication; and

- (ii) In conjunction with its notice or proxy statement preceding the next shareholder meeting.
- (b) The description shall fully describe the 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, 310 South Michigan Avenue, Suite 2130, Chicago, Illinois 60604, and to the FDIC Registration and Disclosure Section, 550 17th 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 the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

The effective date of this ORDER shall be 10 calendar days after its issuance by the Division and the FDIC.

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 Division and the FDIC.

Pursuant to delegated authority.

Dated: May 11, 2006

Scott D. Clarke
Assistant Director
Division of Banking

Suzannah L. Susser
Acting Regional Director
Chicago Regional Office
Federal Deposit Insurance Corporation