

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

_____)	
In the Matter of)	ORDER TO CEASE AND DESIST
INBANK)	
OAK FOREST, ILLINOIS)	FDIC-09-275b
(STATE CHARTERED)	2009-DB-52
INSURED NONMEMBER BANK))	
_____)	

InBank, Oak Forest, 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, rules or regulations 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 38 Ill. Adm. Code Section 392, et al., regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST

("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Division, dated August 3, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices or violations of law, rules or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the Division.

The FDIC and the Division considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and violations of law, rules or regulations. The FDIC and the Division, therefore, accepted the CONSENT AGREEMENT and issued the following:

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:

- A. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.
- B. 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 and unsound banking practices.

- C. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- D. Operating in a manner which has resulted in loss to the institution.
- E. Engaging in hazardous lending and lax collection practices.
- F. Operating with an excessive level of adversely classified assets, delinquent loans, and nonaccrual loans.
- G. Operating with inadequate liquidity in light of the Bank's asset and liability mix.
- H. Operating with an inadequate allowance for loan and lease losses ("ALLL").
- I. Operating with an inadequate loan policy.
- J. Operating with an inadequate funds management policy.
- K. Violating laws, rules or regulations.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) During the life 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;

and

(iv) 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 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).

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall hire a loan work-out specialist with appropriate administrative staff to administer the Bank's loan portfolio or shall retain an outside party or consultant capable

of assisting the Bank in managing its loan portfolio, including but not limited to, assisting the Bank in collecting and improving its classified and delinquent loans.

(b) The Bank shall provide the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the Division with a copy of the proposed engagement letter or contract with the outside party or consultant for review.

BOARD PARTICIPATION

3. (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: funds management; liquidity position and practices; reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; problem credit reports or watch lists reports; reports of insider expenses; audit reports; 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 in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

CAPITAL

4. (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 9.0 percent and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of 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.

(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 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 17th Street, N.W., Washington, D.C. 20429 and to Scott Clarke, Assistant Director, 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 the Division 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 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.

LOSS CHARGE-OFF

5. As of the effective date of this Order the Bank shall charge off from its books and records any asset classified "Loss" on the list of assets classified provided to the Bank on June 18, 2009.

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" on the list of assets classified provided to the Bank on June 18, 2009, 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" on the list of assets classified provided to the Bank on June 18, 2009, 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, and incorporated in the minutes of the

applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

7. (a) Within 20 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 or lending relationship in excess of \$250,000 which is more than 60 days delinquent or is classified "Substandard" on the list of assets classified provided to the Bank on June 18, 2009. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, including the funding of interest reserves, 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 financial condition of each 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 classified assets within 6 and

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 FDIC and the Division.

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

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

CONCENTRATIONS OF CREDIT

8. Within 60 days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a written plan to manage the residential construction loan concentration of credit in a safe and sound manner. At a minimum the plan must provide for written procedures for the ongoing measurement and monitoring of the concentration 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.

LENDING AND COLLECTION POLICIES

9. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement written lending and collection policies to provide effective guidance and control over the Bank's lending function, which policies shall include: specific guidelines for placing loans on a non-accrual basis; effective repayment analysis; a sound appraisal review program; effective construction loan monitoring; and adequate loan presentation sheets. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio.

(b) Copies of the policies and revisions thereto required by this paragraph shall be submitted to the Regional Director and the Division.

LIQUIDITY PLAN

10. (a) Within 10 days of the effective date of this ORDER, the Bank shall adopt a written contingency funding plan ("Liquidity Plan"). The Liquidity 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 be prepared in conformance

with the Liquidity Risk Management Guidance found at FIL-84-2008.

(b) On each day the Bank is open for business during the life of this ORDER the Bank shall submit to the Regional Director and Division a liquidity analysis report, in a format that is acceptable to the Regional Director and the Division.

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

ADDITIONAL DIRECTORS

11. Within 90 days from the effective date of this ORDER, the Bank shall add two independent directors to the Board of Directors. 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.

DIVIDEND RESTRICTION

12. 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 the Division.

ALLOWANCE FOR LOAN AND LEASE LOSSES ("ALLL")

13. (a) Within 10 days of the effective date of this ORDER the Bank shall increase its Allowance for Loan and Lease Losses ("ALLL") to a minimum of \$9,433,000, subsequent to the recognition of losses required by paragraph 5 of this ORDER.

(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 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 FDIC or the Division.

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

LIMITS ON TRANSFERS OF BANK ASSETS

14. (a) While this ORDER is in effect, the Bank shall not make any payment, directly or indirectly, to or for the benefit of the Bank's holding company or any other Bank affiliate without the prior written consent of the Regional Director and the Division.

(b) While this ORDER is in effect, the Bank shall not enter into any contract with its holding company or any other Bank affiliate without the prior written consent of the Regional Director and the Division. For purposes of this paragraph, the term "affiliate" shall be defined as it is in section 23A of the Federal Reserve Act, 12 U.S.C. § 371c.

15. While this ORDER is in effect, the Bank shall not make any payment or transfer of any asset, directly or indirectly, to or for the benefit of any Bank insider or any spouse or child of any Bank insider, without the prior approval of a majority of the disinterested members of the Board of Directors. For purposes of this paragraph, the term "insider" shall be defined as it is in Regulation O, 12 C.F.R. Part 215. This paragraph

shall not apply to the payment of Board fees or Board committee fees at the Bank's current rate.

16. Within 10 days from the effective date of this ORDER, the Bank's Board of Directors shall establish a policy to control Bank expenses and procedures to ensure compliance with the policy.

CORRECTION OF VIOLATIONS

17. Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule and regulations on the list of violations provided to the Bank on June 22, 2009 or shall provide a written explanation acceptable to the Regional Director and the Division as to: 1. the reason why a violation cannot be corrected; or 2. the reason why a violation has not yet been corrected accompanied by a time-frame for future correction. Additionally, within 60 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules and regulations.

LIMITS ON AUTHORITY

18. While this ORDER is in effect, the Bank shall not permit Cynthia Grazian to have any authority at the Bank or permit her to serve as an employee, officer, or director of the Bank or as a consultant to the Bank.

NOTIFICATION TO SHAREHOLDERS

19. 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.

PROGRESS REPORTS

20. 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 the 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 calendar 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: August 7, 2009.

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

Jorge A. Solis
Director, Division of Banking
Illinois Department of Financial
and Professional Regulation