

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.

AND

STATE OF ILLINOIS  
DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION  
DIVISION OF BANKING

_____ )	
In the Matter of )	CONSENT ORDER
)	
COUNTRY BANK )	FDIC-10-864b
ALEDO, ILLINOIS )	2010-DB-119
)	
(STATE CHARTERED )	
INSURED NONMEMBER BANK) )	
_____ )	

Country Bank, Aledo, Illinois ("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 38 Ill. Adm. Code, section 392, et seq., regarding hearings before the Illinois Department of Financial and Professional Regulation, Division of Banking ("Division"), and having waived those rights, by and through its duly elected and acting Board of Directors ("Board") entered into a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and the Division, dated January 27, 2011, whereby, solely for the purpose of this proceeding and

without admitting or denying the charges of unsafe or unsound banking practices relating to weaknesses in capital, earnings, asset quality, internal controls and liquidity, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC and the Division.

The FDIC and the Division 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 FDIC and the Division 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) While this ORDER is in effect, 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 or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Regional Director of the FDIC Chicago Regional Office ("Regional Director") and the Division. 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).

#### CAPITAL

2. (a) As of 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 nine percent ("9%") and its level of qualifying total capital as a percentage of risk-weighted assets ("total risk based capital ratio") at a minimum of thirteen percent ("13%"). 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 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 for review. Any changes requested to be made in the materials by 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 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.

#### BOARD PARTICIPATION

3. (a) As of the effective date of this ORDER, the Board 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; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including managements' 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 30 days from the effective date of this ORDER, the Board shall have in place a program that will provide for monitoring of the Bank's compliance with this ORDER.

#### LIQUIDITY PLAN

4. (a) During the life of this ORDER the Bank shall continue to submit to the Regional Director and the Division a weekly liquidity analysis report, in a format that is deemed acceptable to the Regional Director and the Division.

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

#### DIVIDEND RESTRICTION

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

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

6. (a) Within 15 days of the effective date of this ORDER the Bank shall increase its Allowance for Loan and Lease

Losses ("ALLL") by \$800,000, to be reflected in the December 31, 2010 Call Report.

(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 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 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 FDIC or the Division.

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

7. (a) Within 30 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 \$250,000 which is more than 90 days delinquent or classified "Substandard" during the Examination. 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 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 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 more than 90 days delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

8. (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 extension of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" in the Examination, 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 was listed for Special Mention in the Examination, 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.

#### LOSS CHARGE-OFF

9. (a) Immediately upon issuance of any Report of Examination, the Bank shall charge off from its books and records any loans classified "Loss" that has not been previously collected or charged-off.

(b) Immediately upon any other Loss identified by the Bank's loan review and grading system, the bank shall charge off from its books and records any loans classified "Loss" that have not been previously collected or charged-off.

#### BROKERED DEPOSITS

10. Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Division a written plan for reducing its reliance on brokered deposits. The plan shall contain details as to the current composition of brokered deposits by maturity and explain the means by which such deposits will be reduced. For purposes of this ORDER, brokered deposits are defined as described in section 337.6(a)(2) of the FDIC's Rules and Regulations, 12 C.F.R. § 337.6(a)(2). Such plan and its implementation shall be satisfactory to the Regional Director and the Division as determined at subsequent examinations and/or visitations.

#### CONCENTRATIONS OF CREDIT

11. (a) Within 60 days from the effective date of this ORDER, the Bank will formulate, and submit to the Regional

Director and the Division a written plan to reduce all loan concentrations of credit identified in the ROE. Such plan shall prohibit any additional advances that would increase the concentrations above the levels identified in the ROE or create new concentrations (as defined in the ROE) unless the Bank's board of directors has adopted, prior to such advances, a detailed written statement giving the reasons why such additional advances are 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. The plan shall also include, but not be limited to:

(i) specific levels to which the Bank shall reduce each concentration within six and twelve months from the effective date of the ORDER; and

(ii) a provision for the submission of monthly written progress reports to the Board for review and notation in the minutes of the Board's meetings.

(b) The plan required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within 30 days of receipt of any

comments from the Regional Director or the Division the Bank shall incorporate any changes required by the Regional Director or the Division and thereafter adopt, implement, and adhere to the plan.

#### ETHICS POLICY

12. (a) Within 30 days from the effective date of this ORDER, the Bank shall develop, adopt and implement a written ethics policy ("Ethics Policy") and program ("Ethics Program") incorporating a Conflicts of Interest and Ethics Policy, and a Whistle Blower Protection Policy, designed to bring to the attention of each member of the Board conflicts of interest which may exist in approving loans or other transactions in which officers, directors or principal stockholders of the Bank ("Insiders") are involved. The Ethics Policy will state the ethical conduct and other standards expected of directors, officers, employees, agents and other persons participating in the conduct of the affairs of the Bank ("Covered Individuals"), in the performance of their duties and responsibilities, and establish the definitions, instructions and format to be followed by Covered Individuals in the preparation of comprehensive conflict disclosure statements ("Statements") to be filed for review by an Ethics Counselor and/or Ethics Committee. At a minimum, the Ethics Program will prohibit self-dealing by insiders or their advancing personal, business, or

other interests, or those of others, at the expense of the Institution; and require:

- (i) Initial statements from all existing Covered Individuals;
- (ii) Initial statements from any person who becomes a new Covered Individual;
- (iii) Periodic statements from all Covered Individuals;
- (iv) The disclosure of all potential conflicts of interest arising from a business or other interest or affiliation; and
- (v) Immediate reporting of new conflicts or discovery of previously unreported conflicts.

(b) The Ethics Program will, at a minimum, ensure that each member of the Board has been apprised of any potential conflict prior to making a decision, and has acted specifically on any loan or other transaction in which Insiders and/or their business associates are, directly or indirectly, involved. The results of any deliberations by the Board regarding potential conflicts shall be reflected in the minutes of its meetings. The Ethics Program will also address the ethical and other conduct and responsibilities with respect to Covered

Individuals, and specifically the permissibility and disclosure of:

- (i) Acceptance of gifts, entertainment, favors and loans;
- (ii) Use of official information;
- (iii) Employment of relatives;
- (iv) Use of Bank property;
- (v) Reimbursement or payment of travel expenses;
- (vi) Indebtedness to the Bank or any other financial institution;
- (vii) Financial interests and obligations that appear to conflict with the individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the individual, his spouse, child, partner, or any organization in which the individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved;
- (viii) Purchasing of Bank property;
- (ix) Providing goods or services to the Bank;
- (x) Outside employment and other activities; and

(xi) A periodic written method of reporting each individual's compliance with the Ethics Program to an Ethics Counselor and/or committee who shall review compliance with the Ethics Program and report findings to the board of directors.

(c) The Bank shall submit the policy and program to the Regional Director and the Division for review and comment. Within 30 days from the receipt of any such comments from the Regional Director and the Division and after due consideration of any recommended changes, the Bank shall approve the policy and program, which approval shall be recorded in the minutes of the meeting of the Board. The Bank shall thereafter implement and enforce the policy and program, which shall also include periodic training for all employees, officers and directors.

#### CORRECTION OF VIOLATIONS

13. Within 30 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulations listed in the ROE. If, however, any such violation cannot be eliminated or corrected, within 30 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and the Division a written statement explaining why such violation cannot be eliminated or corrected within the prescribed time period and further

describing actions the Bank may take to: (i) mitigate the effects on the Bank of the violation; and (ii) avoid the recurrence of like violations.

#### INFORMATION TECHNOLOGY

14. Within 120 days from the effective date of this Order the Board shall ensure that the information technology exceptions listed in the ROE have been corrected.

#### NOTIFICATION TO SHAREHOLDERS

15. Following the effective date of this ORDER, the Bank shall send to its shareholders 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.

#### FORENSIC AUDIT

16. (a) Within 60 days from the effective date of this ORDER, the Bank shall retain an independent third party forensic auditor acceptable to the Regional Director and the Division, who will examine the accounts and lending activities of officers and employees of the bank identified in the ROE to have apparent conflicts of interests from beginning January 1, 2006 to the effective date of this ORDER.

(b) The Bank shall provide the Regional Director and the Division with a copy of the proposed engagement letter or



contract with the independent third party forensic auditor for review.

(c) The Forensic Audit shall be completed within 180 days from the effective date of this ORDER.

(d) Within 180 days after receipt of the completed Forensic Audit the Bank shall implement and enforce an effective system of internal controls, consistent with the findings of the external forensic audit.

(e) The audit required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within 30 days of receipt of any comments from the Regional Director or the Division the Bank shall incorporate any changes required by the Regional Director or the Division and thereafter adopt, implement, and adhere to the recommendations of the Forensic Audit.

#### RESTRICTION ON INDEMINIFICATION

17. While the ORDER is in effect, the Bank shall not make or agree to make reasonable indemnification payments to an Institution Affiliated Party in accordance with Part 359 of the FDIC's Rules and Regulations ("Part 359"), 12 C.F.R. Part 359 without prior written approval of the Regional Director and the Division. For the purpose of this paragraph, "Institution Affiliated Party" shall be defined as in section 359.1(h) of the FDIC's Rules and Regulations, 12 C.F.R. § 359.1(h).

PROGRESS REPORTS

18. 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 Board, 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 FDIC and the Division.

Pursuant to delegated authority.

Dated: February 3, 2011.

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

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