

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
DELAWARE PLACE BANK)	
CHICAGO, ILLINOIS)	FDIC-16-0002b
)	2015-DB-03
(Illinois Chartered)	
Insured Nonmember Bank))	
_____)	

Delaware Place Bank, Chicago, 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 or regulation 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, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with representatives of the Federal Deposit Insurance Corporation

("FDIC") and the Division, dated April 6, 2016, 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 or regulation relating to capital, asset quality, earnings, 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 decided 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) 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 FDIC's and 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).

MANAGEMENT STUDY

2. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall retain an independent third party acceptable to the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the Division, who will develop a written analysis and assessment of the Bank's management needs ("Management Study") to evaluate the management of the Bank.

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

(c) The Management Study shall be developed within one hundred twenty (120) days from the effective date of this ORDER. The Management Study shall include, at a minimum:

- (i) Identification of both the type and number of executive officers, as defined by 12 C.F.R. § 215.2(e), needed to properly manage and supervise the affairs of the Bank;
- (ii) Identification of both the type and number of staff required to monitor and resolve the classified assets identified in the Joint Report of Examination dated June 15, 2015 ("ROE");
- (iii) Evaluation of the composition of all Bank committees to ensure effective guidance and oversight of active management;
- (iv) Evaluation of all policy making executives to determine whether these individuals possess the ability, experience, and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and

- practices, and restoration and maintenance of the Bank in a safe and sound condition;
- (v) Evaluation of all policy making executives' compensation, including salaries, director fees, and other benefits; and
 - (vi) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience, and other qualifications to fill those policy making executive positions identified by this paragraph of this ORDER.

(d) Within ninety (90) days after receipt of the Management Study, the Bank shall formulate a plan to implement the recommendations of the Management Study.

(e) The plan required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within thirty (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.

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: concentrations of credit; reports of income and expenses; new, overdue, renewals, insider, charged-off, and recovered loans; real estate-related investment and asset activity; investment activity; capital planning; if any adoption or modification of operating policies; individual committee reports; audit reports; consultant reports; internal control reviews including management's responses; comprehensive review of the Bank's detailed balance sheet and income statement, including a review of variances from budget; and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall elect one (1) additional director with prior banking experience. In electing

additional directors to the Board, the Bank shall comply with the requirements of paragraph 1, subsection (b).

(c) Within thirty (30) days from the effective date of this ORDER, each member of the directorate shall obtain training regarding the roles and responsibilities of a bank director, including their fiduciary duty to the institution.

(d) All consulting contracts with third parties, including that referenced above in paragraph 2(a), shall be reviewed and approved by the Board, and all written reports received as a result of such contracts shall be reviewed by the Board. The Board shall ensure that all contracts are documented and include, at a minimum:

- (i) A description of the work to be performed under the contract or engagement letter;
- (ii) The responsibilities of the consultant;
- (iii) Identification of the specific procedures to be used when carrying out the work to be performed;
- (iv) The qualifications of the consultant's employee(s) who are to perform the work;
- (v) The time frame for completion of the work; and
- (vi) That written reports shall be furnished to the board.

(e) 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

4. (a) Within ninety (90) days of the effective date of this ORDER, the Bank shall have and maintain its leverage ratio at a minimum of nine (9.0%) percent and its total capital ratio at a minimum of twelve (12.0%) percent. For purposes of this ORDER, leverage ratio and total capital ratio shall be calculated in accordance with Part 324 of the FDIC Rules and Regulations ("Part 324"), 12 C.F.R. Part 324.

(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 twenty (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 or the KDFI 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) 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.

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

5. (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 ROE, so long as such credit remains 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 also be placed in the appropriate loan file.

(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," "Doubtful," or is listed for Special Mention in the ROE, 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

6. (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 \$500,000 which is delinquent for more than ninety (90) days or classified "Substandard" or "Doubtful" in the ROE. The plan shall include, but not be limited to, provisions which:

- (i) Prohibit an extension of credit for the payment of interest, unless the Bank's board of directors 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 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 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 ninety (90) days delinquent after the effective date of this ORDER or are adversely classified at any subsequent examinations.

LOSS CHARGE-OFF

7. As of the effective date of this ORDER, the Bank shall charge off from its books and records any assets classified "Loss" at any visitation or examination.

LENDING AND COLLECTION POLICIES

8. (a) Within sixty (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 accounting for troubled debt restructuring. In addition, the Bank shall obtain adequate and current documentation for all loans in the Bank's loan portfolio.

(b) The revisions to the Bank's loan policy and practices, required by this paragraph, at a minimum, shall incorporate and address the loan administration and other deficiencies discussed in the ROE.

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

LIQUIDITY CONTINGENCY FUNDING PLAN

9. Within sixty (60) days from the effective date of this ORDER, the Bank shall fully address and implement the liquidity recommendations as set forth in the ROE and shall develop and implement a formalized contingency funding plan.

ALLOWANCE FOR LOAN AND LEASE LOSSES

10. (a) As of the effective date of this ORDER, and prior to the submission of all Reports of Condition and Income required by the FDIC, the board of directors of the Bank shall review the adequacy of the Bank's Allowance for Loan and Lease Losses ("ALLL"), provide for an adequate ALLL, and thereafter

maintain and accurately report the same. The Bank's Loan Policy shall be expanded to address the ALLL methodology and require compliance with the Joint Policy Statement on the ALLL, FIL-105-2006. 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 Federal Financial Institutions Examination Council's ("FFIEC") Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or the Division.

(b) During the life of this ORDER, the Bank shall make provision expenses as set forth in any subsequent visitation or examination.

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

PROFIT PLAN AND BUDGET

11. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall submit a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2016 and 2017. The plans required by this paragraph shall focus on earnings improvement and shall

contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written 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 meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect and shall be completed at least thirty (30) days prior to the beginning of the applicable calendar year.

(e) The plans and budgets required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within thirty (30) days of receipt of any comments from the Regional Director or the Division.

BUSINESS PLAN

12. During the life of this ORDER, the Bank shall adhere to its business plan. Proposed revisions to such business plan shall be submitted to the Regional Director and the Division for review and comment at least sixty (60) days prior to implementation, and the Bank shall incorporate any changes required by the Regional Director or the Division prior to adoption of, implementation, and adherence to the business plan revisions.

GROWTH RESTRICTION

13. During the life of this ORDER, the Bank shall not increase its total assets by more than 1.25% percent during any consecutive three-month period without providing, at least thirty (30) days prior to its implementation, a growth plan to

the Regional Director and the Division. Such growth plan, at a minimum, shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written approval of the Regional Director and the Division. In no event shall the Bank increase its total assets by more than 5.0% percent annually. For the purpose of this paragraph, "total assets" shall be defined as in the FFIEC's Instructions for the Reports of Condition and Income.

DIVIDEND RESTRICTION

14. 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.

INTEREST RATE RISK

15. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall fully address and implement the interest rate risk ("IRR") recommendations as set forth in the ROE.

(b) The Bank shall also prepare quarterly IRR reports consistent with the IRR recommendations.

CONCENTRATIONS OF CREDIT

16. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement a written plan to manage each of the concentrations of credit identified in the ROE in a safe and sound manner. At a minimum, the plan must provide for written procedures which provide for the ongoing measurement and monitoring of the concentrations of credit, performance of portfolio stress testing analysis to assess the impact of changing economic conditions, and the setting of limits on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank.

(b) The plan required by this paragraph shall be acceptable to the Regional Director and the Division.

CORRECTION OF VIOLATIONS

17. Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, and regulation listed in the ROE, and implement procedures to ensure future compliance with all applicable laws, rules, and regulations.

NOTIFICATION TO SHAREHOLDER

18. Following the effective date of this ORDER, the Bank shall send to its shareholder a copy of this ORDER: (a) in conjunction with the Bank's next shareholder communication; or (b) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

COMPLIANCE WITH ORDER

19. (a) Within thirty (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.

(b) Following the required date of compliance with subparagraph (a) above, the Bank's board of directors shall review the Bank's compliance with this ORDER and record its review in the minutes of each regularly scheduled monthly board of directors meeting.

PROGRESS REPORTS

20. Within forty five (45) 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.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be 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: April 8, 2016.

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

Kerri A. Doll
Acting Director
Illinois Department of Financial
and Professional Regulation
Division of Banking