

**#2009-075**

**UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

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**In the Matter of:** )  
Citizens National Bank, )  
Macomb, Illinois )

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**PROMPT CORRECTIVE ACTION DIRECTIVE**

**WHEREAS**, Citizens National Bank, Macomb, Illinois (“Bank”) is a national bank subject to the provisions of 12 U.S.C § 1831o and 12 C.F.R. Part 6;

**WHEREAS**, the Office of the Comptroller of the Currency (“OCC”) is authorized, pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6, to issue directives to take prompt corrective action (“PCA”) to resolve the problems of national banks at the least long term cost to the deposit insurance fund, thereby effecting the purposes of 12 U.S.C. § 1831o;

**WHEREAS**, the OCC may issue a PCA directive based upon a bank’s capital category;

**WHEREAS**, on March 20, 2009, the OCC issued a Notice of Intent to issue this Prompt Corrective Action Directive (“Directive”) pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6;

**WHEREAS**, on March 30, 2009, the Bank responded to the OCC’s Notice of Intent, incorporating the Bank’s March 24, 2009 response to the OCC’s most recent Report of Examination;

**WHEREAS**, the OCC has carefully considered the Bank’s response to the Notice of Intent;

**NOW THEREFORE**, the Comptroller finds it necessary in order to carry out the purposes of 12 U.S.C. § 1831o to issue this immediately effective Prompt Corrective Action Directive (“Directive”) pursuant to 12 U.S.C. § 1831o and 12 C.F.R. Part 6.

## **ARTICLE I JURISDICTION**

- (1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864. as amended. 12 U.S.C § 1, *et seq.*
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank, pursuant to 12 U.S.C. §§ 1813 (q) and 1831o.
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1831o.
- (4) This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

## **ARTICLE II IMPROVING CAPITAL**

- (1) Not later than May 15, 2009, the Bank shall submit to the Director of Special Supervision (“Director”) a fully executed binding agreement to:
  - (a) Sell enough shares or obligations of the Bank so that the Bank will become “adequately capitalized” (as defined in 12 C.F.R. § 6.4) by June 30, 2009;
  - (b) Merge with or be acquired by another financial institution, financial holding company, or other entity whereby the resulting depository institution would be at least “adequately capitalized” (as defined in 12 C.F.R. § 6.4) by June 30, 2009; or
  - (c) Sell all or substantially all of the Bank’s assets and liabilities to another financial institution, financial institution holding company, or other entity by June 30, 2009.

(2) The Board of Directors of the Bank shall at all times make diligent and good faith efforts to cause the Bank to comply with paragraph (1) of this Article. For the purposes of this Directive, diligent and good faith efforts shall include, but not be limited to, the following:

- (a) Authorize and direct appropriate Bank officers to take appropriate actions consistent with the Bank's obligations under paragraph (1) of this Article, which include, but are not limited to, taking all reasonably practical steps to remove impediments to accomplishing the sale of shares or obligations or accomplishing a merger, acquisition or sale of all or substantially all of the Bank's assets and liabilities;
- (b) Cause the Bank to hire such professionals as are necessary and appropriate to fulfill the Bank's obligations under paragraph (1) of this Article; and
- (c) Cause the Bank to share appropriate information about itself with potential acquirers, merger partners or purchasers, including, but not limited to, any such potential acquirer, merger partner or purchaser identified or referred to the Bank by the OCC or the Federal Deposit Insurance Corporation.

(3) The Bank and any subsidiary thereof shall not issue any securities or enter into any agreement, letter of intent or understanding to merge, consolidate, sell all or substantially all of its assets and liabilities, or otherwise be acquired, or enter into any agreement or understanding to reorganize unless it first receives the OCC's written non-objection of such action.

(4) The Bank shall monitor its capital ratios and provide written notice to the OCC within 15 calendar days of any material event that would cause the Bank to be placed into a lower PCA capital category. If the Bank falls into a lower PCA capital category, it shall comply

immediately with the appropriate additional restrictions contained in 12 U.S.C. § 1831o and 12 C.F.R. Part 6. If the Bank improves from a lower to a higher PCA capital category, it shall continue to comply with this Directive, unless modified, terminated, suspended or set aside by the OCC in writing.

(5) Not later than ten (10) days following the end of each month after the date of this Directive:

- (a) Management of the Bank shall prepare, and the Board of Directors shall review, a written report (i) specifying whether the Bank was in compliance with each of the requirements of this Directive during the preceding month; (ii) a verification of the Bank's PCA capital category; and (iii) specifying whether the Bank is in compliance with all restrictions that apply automatically to a bank in that category; and
- (b) The Bank shall submit to the OCC a summary of actions taken during the preceding month in furtherance of the Bank's efforts to comply with paragraph (1) of this Article, including descriptions of any material discussions with potential purchaser(s) of stock or Bank obligations, acquirer(s) or merger partner(s) and any due diligence performed by potential purchaser(s) of stock or Bank obligations, acquirer(s) or merger partner(s).

**ARTICLE III**  
**CAPITAL RESTORATION PLAN**

(1) If the Bank does not submit a fully executed binding agreement described in Article II, sub-paragraphs (1)(b) or (1)(c), then the Bank shall submit an acceptable Capital Restoration Plan to the Director not later than May 15, 2009.

(2) The Capital Restoration Plan shall include:

- (a) Specific plans for achieving by July 31, 2009, and thereafter maintaining, the following minimum capital levels (as defined in 12 C.F.R. Part 3):
  - (i) Tier 1 capital at least equal to twelve percent (12%) of risk-weighted assets; and
  - (ii) Tier 1 capital at least equal to nine percent (9%) of actual adjusted total assets;
- (b) Projections of the sources and timing of additional capital and/or projections of the methods and timing of reducing assets to meet the requirements of subparagraph (2)(a) of this Article;
- (c) The primary source(s) from which the Bank will strengthen its capital structure to meet the requirements of subparagraph (2)(a) of the Article;
- (d) Alternative source(s) from which the Bank will strengthen its capital structure if the primary source(s) identified pursuant to subparagraph (2)(c) of this Article are not available;
- (e) Projections for future capital needs based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet assets and activities;

- (f) A dividend policy that permits the declaration of a dividend only:
  - (i) When the dividend would not cause the Bank, after making the distribution, to be undercapitalized;
  - (ii) When the Bank is in compliance with its approved Capital Restoration Plan;
  - (iii) When the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
  - (iv) With the prior written non-objection by the Director;
- (g) Specific plans detailing how the Bank will comply with the restrictions or requirements set forth in this Directive and 12 U.S.C. § 1831o, including:
  - (i) The restrictions on capital distributions set forth at 12 U.S.C. § 1831o(d)(1);
  - (ii) The restrictions against the payment of management fees to any person having control of the Bank if, after making the payment, the Bank would be undercapitalized, as set forth in 12 U.S.C. § 1831o(d)(2);
  - (iii) The restrictions against asset growth set forth at 12 U.S.C. § 1831o(e)(3);
  - (iv) The restrictions on acquisitions, branching and new lines of business set forth at 12 U.S.C. § 1831o(e)(4);
  - (v) The restrictions on brokered deposits as set forth at 12 C.F.R. § 337.6; and
  - (vi) The restrictions on accepting employee benefit plan deposits as set forth at 12 U.S.C. 1821(a)(1)(D)(ii); and

- (h) The types and levels of activities in which the Bank will prospectively engage.

(3) Pursuant to 12 U.S.C. § 1831o(e)(2)(B)(ii), the Capital Restoration Plan will not be deemed acceptable unless it also satisfactorily includes:

- (a) A documented analysis of the Bank's current and prospective financial condition, including the basis for any assumptions used in the analysis;
- (b) Current and prospective pro forma balance sheets for at least four (4) consecutive quarters;
- (c) Current and prospective budgets for at least four (4) consecutive quarters;
- (d) A strategic plan;
- (e) Market analysis supporting the ability to raise capital; and
- (g) Specific steps to address the unsafe and unsound practices identified in the most recent Report of Examination.

(4) Pursuant to 12 U.S.C. § 1831o(e)(2)(C), the Capital Restoration Plan will not be acceptable unless the plan:

- (a) Complies with paragraphs (1), (2), and (3) of the Article;
- (b) Is based on realistic assumptions and is likely to succeed in restoring the Bank's capital;
- (c) Would not appreciably increase the risk to which the Bank is exposed; and
- (d) Includes a written unconditional guaranty from Citizens Central Bancorp (the Bank's holding company) that the Bank will comply with the Plan until the Bank has been, at a minimum, adequately capitalized on average during each of four (4) consecutive calendar quarters. To be acceptable,

the guaranty shall provide adequate assurance of the holding company's performance through the transfer or pledge to the Bank of sufficient assets in a form satisfactory to the Director. This guarantee is limited to the lesser of 5 percent of the Bank's total assets at the time it became undercapitalized or the amount that is necessary to bring the Bank into capital compliance.

(5) Upon being notified in writing that the Capital Restoration Plan is acceptable to the Director, the Bank shall implement and shall adhere to the provisions of the Capital Restoration Plan.

(6) Not later than ten (10) days following the end of each month after the Director notifies the Bank that the Capital Restoration Plan is acceptable:

(a) Management of the Bank shall prepare, and the Board of Directors shall review, a written report specifying (i) whether the Bank was in compliance with each of the provisions of the Capital Restoration Plan during the preceding month, and (ii) a summary of actions taken during the preceding month in furtherance of the Bank's efforts to comply with each provision of the Capital Restoration Plan; and

(b) The Bank shall provide a copy of such report to the Director.

#### **ARTICLE IV**

#### **COMPLIANCE WITH MANDATORY RESTRICTIONS**

(1) The Bank shall comply with all of the mandatory prompt corrective action provisions set forth in 12 U.S.C. § 1831o and 12 C.F.R. Part 6 that automatically apply to the



Bank based upon the Bank's prompt corrective action capital category. For a "significantly undercapitalized" bank, such as the Bank, the following restrictions apply:

- (a) Pursuant to 12 U.S.C. § 1831o(d)(1) and 12 C.F.R. § 6.6(a), the Bank shall make no capital distribution if, after making the distribution, the bank would be undercapitalized, unless such capital distribution is for the repurchase, redemption, retirement or other acquisition of shares or ownership interests:
  - (i) that is made in connection with the issuance of additional shares or obligations of the Bank in at least an equivalent amount;
  - (ii) that will reduce the Bank's financial obligations or otherwise improve the Bank's financial condition; and
  - (iii) the Bank first receives a written non-objection from the OCC;
- (b) The Bank shall not pay any management fee (as defined in 12 C.F.R. § 6.2(e)) to any controlling person of the Bank (as defined in 12 C.F.R. § 6.2(c)) if, after making the payment, the Bank would be undercapitalized. 12 U.S.C. § 1831o(d)(2) and 12 C.F.R. § 6.6(a);
- (c) The Bank shall not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding quarter unless (i) the OCC has accepted the Bank's Capital Restoration Plan, (ii) the increase in assets is consistent with the plan, and (iii) the Bank's ratio of tangible equity to assets increases during the calendar quarter at a rate sufficient to enable the Bank to become adequately capitalized within a reasonable time. 12 U.S.C. § 1831o(e)(3) and 12 C.F.R. § 6.6(a)(2)(iv);

- (d) The Bank shall not, directly or indirectly, acquire any interest in any company or insured depository institution, establish or acquire any additional branch office, or engage in any new line of business, unless (i) the OCC has accepted the Bank's Capital Restoration Plan, the Bank is in compliance with the plan, and the OCC determines that the action is consistent with, and will further achievement of the plan, or (ii) the FDIC Board of Directors approves the action. 12 U.S.C. § 1831o(e)(4) and 12 C.F.R. § 6.6(a)(2)(v); and
- (e) The Bank shall not, without first receiving the OCC's written non-objection: (i) pay any bonus to any senior executive officer or (ii) provide compensation to any senior executive officer exceeding that officer's average rate of compensation (excluding bonuses, stock options, and profit-sharing) during the 12 calendar months preceding the calendar month in which the Bank became undercapitalized. 12 U.S.C. § 1831o(f)(4) and 12 C.F.R. § 6.6(a)(3).

(2) The Bank shall comply with all other restrictions applicable to it, including the following:

- (a) The Bank may not accept, renew or roll over any brokered deposit. 12 U.S.C. § 1831f(a) and 12 C.F.R. § 337.6(b)(3)(i); and
- (b) The Bank shall not accept new employee benefit plan deposits. 12 U.S.C. § 1821(D)(ii).

(3) The Bank shall cease all unsafe and unsound practices described in the OCC's Report of Examination transmitted to the Bank on or about February 27, 2009.

**ARTICLE V**  
**OTHER ACTION REQUIRED**

(1) Pursuant to 12 U.S.C. § 1831o(f)(2) and 12 C.F.R. § 6.6(b), immediately upon issuance of this Directive, the Bank shall not do any of the following without the prior written approval of the Bank's Board of Directors and the prior written non-objection of the OCC:

- (a) Enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, or other similar action;
- (b) Engage in the sale or transfer of any Bank asset or pool of assets exceeding a fair market value of one hundred thousand dollars (\$100,000). Any asset sale or transfer less than \$100,000 should be reported to the OCC after the sale;
- (c) Transfer any asset to the holding company or other affiliated party or person;
- (d) Engage in any transaction for the transfer of funds, the extension of credit, acceptance or transference of risk and/or the conferring of another type of benefit, directly or indirectly, involving any Bank affiliates, as defined in 12 U.S.C. § 371c, or current or former Bank directors, shareholders, senior executive officers, or their respective family members;
- (e) Extend any additional credit to any classified borrower without prudent justification;

(f) Amend the bank's charter or bylaws, except to the extent necessary to carry out any other requirement of law, regulation, or order; or

(g) Make any change in accounting methods.

(2) Effective immediately upon issuance of this Directive, the Bank shall ensure that all documents, books and records are accurately maintained on the premises of the Bank in their original state for a period of five (5) years.

(3) If the Bank is notified (as described in 12 C.F.R. § 6.3) that it has become "critically undercapitalized," the Bank shall cooperate fully with the FDIC's efforts to avoid a loss or otherwise minimize exposure to the Deposit Insurance Fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents and service providers, accommodating on-site visits, and permitting the FDIC to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Bank in anticipation of the possible appointment of the FDIC as conservator, receiver, or other legal custodian. Nothing herein shall be interpreted to preclude such cooperation with the FDIC at any time prior to such time as the Bank may become "critically undercapitalized."

## **ARTICLE VI**

### **GENERAL PROVISIONS**

(1) Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the PCA Directive to be made upon, given or furnished to, delivered to, or filed with the OCC shall be in writing and sent by first class U.S. mail (or by reputable overnight courier or hand delivery via messenger) addressed as follows:

Director  
Special Supervision Division  
250 E Street, S.W.  
Washington, D.C. 20219

(2) If any provision in this Directive is ruled to be invalid, illegal or unenforceable by the decision of any court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby unless the OCC, in its sole discretion, determines otherwise.

(3) This Directive is enforceable under 12 U.S.C. § 1818(i). Each provision of this Directive shall be binding upon the Bank, its directors, officers, employees, agents, successors, assigns, and other persons participating in the affairs of the Bank.

(4) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, or any institution-affiliated party of the Bank, nothing in this directive shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(5) If the Bank determines that: (i) it is unable to comply with any provision of this Directive; (ii) compliance with any provision of this Directive will cause undue hardship to the Bank; or (iii) the Bank requires an extension of any timeframe within this Directive, the Bank shall submit a written request to the Director asking for relief. Any written request submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that supports the Bank's request. All such requests shall be accompanied by relevant supporting documentation, together with a copy of a Board Resolution authorizing the request. The Director's decision pertaining to the request is final.

(6) The provisions of this Directive are effective upon issuance of this Directive by the Comptroller, through the Director whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Directive shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

**IT IS SO ORDERED**, this 22<sup>nd</sup> day of April, 2009.

*signed* \_\_\_\_\_  
Ronald G. Schneck  
Director for Special Supervision