

GUIDE TO ORGANIZING A NEW BANK IN ILLINOIS

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October, 1995
Revised May, 2006
Revised July, 2013

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ABOUT THIS GUIDE

This Guide is provided by the Community Bankers Association of Illinois ("CBAI") as a tool to assist individuals who are interested in chartering new community banks. CBAI is a not-for-profit corporation and a trade association consisting of approximately four hundred (400) member financial institutions located throughout the State of Illinois. CBAI seeks to foster the chartering of new community banks in Illinois, in an effort to preserve competition in banking and to prevent the concentration of control of banking resources. To obtain additional information from or about CBAI, please call 1-800-736-2224 (or, from outside of Illinois, call 1-217-529-2265).

Portions of this Guide have been provided by Tim Sullivan an attorney in the law firm of Hinshaw & Culbertson. For more information on the legal services provided by Hinshaw & Culbertson in the organization of de novo banks, please contact:

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This Guide is intended to provide the reader with general information and issues for consideration only, and is not legal advice nor a substitute for legal or other professional advice. Although this Guide is updated annually, some regulatory requirements or other considerations may change between updates. It is advisable to contact the appropriate regulatory agency or your legal counsel to be certain that you are complying with the current requirements.

For ease of reference in this Guide, the Illinois Department of Financial and Professional Regulation is referred to as the "IDFPR", the federal Office of the Comptroller of the Currency is referred to as the "OCC", the Federal Deposit Insurance Corporation is referred to as the "FDIC", and the Federal Reserve Bank of Chicago or the Federal Reserve Bank of St. Louis is referred to as the "Federal Reserve".

ABOUT CBAI

As a full service bank association, CBAI and its affiliate corporations deliver products and services to approximately 400 member financial institutions with an operating budget of approximately five million dollars. Since its founding in 1974, CBAI has exclusively represented community-based financial institutions with the following Mission Statement as its foundation:

CBAI Mission Statement

The mission of the Community Bankers Association of Illinois is to provide its members a competitive edge by effectively aggregating political, economic, and marketing power. The CBAI is dedicated to keeping community banks competitive for the benefit of their customers and the communities they serve through delivery of quality education, effective political representation, and essential products and services.

The mission will be pursued with integrity, equal representation, professionalism, vision, and responsiveness.

PRODUCTS AND SERVICES OF THE CBAI CORPORATE FAMILY

I. CBAI

A. Governmental Relations (State and Federal)

1. Direct Legislative/Congressional/Regulatory Representation
2. Community BancPac (state political action committee)
3. CBAI FedPAC (federal political action committee)
4. Key Contact Banker Program
5. "News from the front" e-mail updates
6. Access to Rich Miller's *Capitol Fax* blog

B. Education

1. One day seminars on 20 topics each year
2. Lending seminars, three day Institutes, and the Certified Community Lender
3. Compliance and Auditing Programs
4. CEO; Senior Lender; Operations/Technology; Branch Manager and HR Forums and Marketing Groups
5. Community Bankers School
6. Career Development Division
7. Webinars and Internet Training

C. Recognition and Public Relations

1. "Real Community Bank" Image Campaign
2. Scholarship Program for High School Seniors
3. Scholarship Program for Children and Grandchildren of community bankers
4. 50 Years in banking Recognition
5. Outstanding Member of the Year Award
6. Bank Officer Compensation Survey
7. Centennial Club for 100 year old charters

D. Special Events

1. Annual Convention
2. Group Meetings

E. Legal Link: Free (for CBAI Members) consultation with CBAI's General Counsel

II. CBAI Services Marketing Group

- A. *Banknotes* Magazine
- B. Community Bankers OnLine Network

III. Community BancService Corporation

- A. Bank Investments and Portfolio Management
- B. Check Printing
- C. Credit and Debit Card Programs
- D. Market Opinion Research
- E. Consulting (Audit, Disaster Planning, ATM Network, Government Loans)
- F. Club Accounts
- G. Office Supplies and Furniture
- H. Profit Enhancement
- I. Marketing Strategies
- J. Compliance Outsourcing

IV. Community BancInsurance Services, *powered by Nicoud Insurance*

A. Employee Executive and Director Benefits

- 1. Group Medical, Dental, Life and Disability Plan
- 2. Cancer & Intensive Care Protector
- 3. Pension/Profit Sharing/401K
- 4. Section 125 Flexible Benefits
- 5. Salary Continuation
- 6. Key Executive Life
- 7. Deferred Compensation
- 8. Stock Redemption

B. Financial Institution Insurance

- 1. Insurance Review
- 2. Blanket Bond
- 3. Directors & Officers
- 4. Property & Auto
- 5. Umbrella Liability
- 6. Workers Compensation
- 7. Collateral Insurance
- 8. Cyber protection
- 9. Crop/hail damage
- 10. Credit life/disability
- 11. Flood zone certification and insurance

GOING DE NOVO

Recent consolidations in the banking industry have created new opportunities for de novo banks in many markets. The process and challenges of organizing a de novo bank are different from those of acquiring an existing bank. Beginning in 2008, the economic recession and financial downturn in the national banking environment, both brought on in large part by the high risk banking practices and excesses of the nation's largest megabanks, triggered a de facto moratorium on new bank charters. In recent years; however, CBAI is confident that as the banking profession emerges from the recession period, de novo charters will once again be viable and profitable. Although a de novo bank faces a "start-up" phase, which sometimes requires two to three years to show positive earnings, most turn the corner after that initial period and the fresh de novo start offers the advantage of avoiding problems which may exist in an acquisition. In certain markets, no banks may be available for acquisition, or an available banking facility may not have the desired location. The asking price for an existing bank or bank branches may be too high. An existing bank may also have problems such as loan losses or low-earning assets.

To successfully establish a new bank, the organizers often must make a substantial personal and financial commitment.

PRELIMINARY CONSIDERATIONS

Before getting to the charter application and process, the organizing group must make several strategic decisions.

Executive Officers and Directors

One of the organizing group's most important decisions is the selection of a chief executive officer. The organizers must thoroughly investigate the background and qualifications of their proposed chief executive officer prior to submitting their application. A qualified chief executive officer is viewed as essential in the overall assessment of the likelihood of a new bank's success. The proposed chief executive officer's prior banking experience is especially relevant. The organizing group's failure to propose a suitable chief executive officer reflects poorly on the group's judgment and raises doubts about the future success of the proposed bank.

Consideration of the OCC's general guidelines used in its assessment of a proposed chief executive officer is helpful. Under those guidelines, the potential chief executive officer: must possess skills that compliment the directors' skills and fit the needs of the new bank; must be thoroughly familiar with the proposed new bank's operating plan; should have managed a bank or similar financial institution successfully or have successful experience as an officer in an area relevant to the proposed bank's marketing strategy and needs; and should have executive experience in operations or administration.

These guidelines are consistent with the organizers' objective of choosing a well-rounded person for the leadership of the new bank. If the proposed bank's plan is to offer specialized types of services, its executive officers should have experience relevant to the development and administration of those services. The identification of these officers at an early stage reflects positively on the organizing group and its plan, enhancing its prospects for application approval and success.

Extensive background investigations will be undertaken not only on the proposed chief executive officer, but also on other executive officers, all organizers, principal stockholders, and directors. Principal stockholders are those proposed stockholders expected to own ten percent (10%) or more of the new bank's outstanding shares. The background investigations are extensive and can take a long time to complete. Background checks are intended to provide information on the competence, experience, integrity, and financial ability of each person named in the proposed bank's application. Anyone whose previous banking experience is tied to failed or problem financial institutions will be closely scrutinized to determine their ability to carry out their duties.

There are statutory requirements, described later, for bank directors. National bank, but not state bank, directors are required to own at least a nominal equity interest (commonly referred to as "directors' qualifying shares") in their bank; typically, stock with par value of \$1,000. Generally, the organizing group should seek directors who are knowledgeable about the market and the services to be provided, and who have ties in the community. The proposed directors should have diverse

experience and backgrounds, and at least a majority of the proposed directors should have banking or business experience.

Generally, management interlocks among unaffiliated banks are prohibited. However, in some instances, interlocking management relationships may be approved for newly chartered banks for a period of two years, provided a request for an exemption is made by the organizers and granted by the appropriate bank regulator.

For a period of two years after commencement of business, any new executive officers or new directors of the bank must obtain prior regulatory approval before assuming office.

Organizer Compensation and Expenses

The general character of management and the adequacy of capital structure are important in the charter application process. Organizer compensation methods should not reflect negatively on those aspects of an application. Organizer compensation should not hinder the bank's future ability to raise required capital. Instead, organizer compensation should be structured so that any gains are proportionate to each organizer's financial risk and the success of the bank. Organizers cannot be allowed to purchase or acquire a separate class of holding company stock with greater voting rights, or at an original issue price lower than that paid by other investors. Organizers may be issued warrants, based on the number of shares of stock initially purchased by the organizer. Each warrant may allow the organizer to purchase an additional share of stock at the original offering price during a certain period. Organizers can thereby benefit when the bank is successful by increasing their investment in the bank at a price less than the then current market price. Generally, the time for exercising these warrants cannot exceed ten years. Also, these warrants are generally subject to an exercise or forfeiture provision that is triggered if capital falls below regulatory minimums, to avoid the existence of outstanding warrants impairing the bank's ability to raise capital.

The expenses incurred by the organizing group in making an application and organizing the bank may be chargeable to the bank's capital or may be capitalized, provided they are documented and disclosed to stockholders. However, issues regarding the accounting treatment or capitalization of such expenses should be discussed with an accounting firm or legal counsel to ensure that where necessary the organizers are in compliance with relevant accounting principles or with Federal Financial Institutions Examination Council ("FFIEC") requirements. Expenses typically include filing and organizational fees, cost of professional and consulting services, travel expenses, printing, postage, telephone, supplies, salaries and rent, and the lease or purchase of fixed assets. Organizers are expected to contribute time and expertise to the bank's organization and should neither rely unduly on professional and consulting assistance nor make excessive charges to its accounts for those services.

Payment of organizational expenses for disapproved applications are the responsibility of the organizing group. Those expenses for banks that do not open must be paid by the directors and organizers.

Market Area

As reflected later in the application process, extensive analysis of the proposed bank's market area is necessary. In a given market area, there may be competing applications for a new bank charter. There may also be strenuous objections to the issuance of a new charter in a given market. It is helpful for the organizers to demonstrate that the community is "under-banked" and that the proposed bank will satisfy the existing and projected banking needs of the community. Also, organizers should show that the proposed market area will support a newly established bank without threatening the viability of the existing banking environment. The market area must be geographically defined. Reviewing the service areas of similarly situated banks may assist the organizers in establishing the boundaries of their market area.

Demographic studies must be prepared covering trends for the past five years, as well as future projections for at least three years in the market. (For additional information regarding demographic studies, please contact CBAI). A detailed trend analysis of the loans, deposits and earnings of the banks and savings associations in the proposed market for the past five years is necessary. Also, organizers must list and consider other entities offering financial services in the market area, including factors such as the distance from the proposed bank location and the types of services offered. This information will also be used in developing a pro forma balance sheet and income statement for the date of opening through the end of the first three years of operation. A proposed bank in a market with a strong local economy and weak competition has a much greater prospect of success than where the economy is weak or the competition is strong.

Bank Location and Premises

The location of the proposed bank's main banking premises is another important consideration. Although a market area may be identified, the application for a Permit to Organize a de novo bank cannot be filed until the proposed location is established. The demographic information obtained by the organizers should be helpful in identifying and prioritizing desirable locations.

The organizing group must decide whether to lease or purchase the main banking premises. Organizers must be mindful of the statutory limitation on their investment in fixed assets, and the effect that an excessive investment in fixed assets would have on the bank's profitability. Also, organizers must bear in mind that proceeds from the sale of stock must be held in escrow and cannot be used before the bank opens to pay the acquisition or construction expenses of the main banking premises. Details of the planned main banking premises, including copies of blueprints, floor plans and leases, as well as any plans for temporary premises, must be provided to the regulators. Construction of the banking premises should comply with security standards set forth by federal regulation.

If the main banking premises is being purchased or leased from an organizer, a proposed director, officer or principal stockholder, then the agreements or contracts for the transaction must be submitted for regulatory approval. Generally, at least one independent appraisal of the property and terms of the transaction, plus any other evidence necessary to show that the proposed transaction is fair, reasonable, and comparable to similar arrangements that could have been made with unrelated parties, must also be submitted. The agreement should also be disclosed to stockholders.

Finally, any agreements or contracts for the purchase or lease of the main banking premises should provide a contingency for application approval and delays in the application and organization process.

Capital

How much capital is enough for a new bank? Although there are statutory minimums established by regulators for state and national banks, both the IDFPR and the OCC will generally require capital in excess of those minimums. Factors that are considered in determining the adequacy of capital include: organizing expenses; earning prospects; economic and competitive conditions in the community to be served; the experience and competence of management; the risks inherent in the expected asset and liability mix; the amount of fixed asset investment; and the ability to raise or supply additional capital when needed. As a practical matter, the size of the community where the bank will be located also is a factor in capital adequacy. A location in a larger community generally will require greater capital. One rough rule of thumb is that total capital contributed should not be less than ten percent (10%) of the deposits projected for the end of the bank's third year of operation.

Recently, required capitalization for newly chartered state banks in the suburban Chicago area have been ten million dollars or more. However, while there are general guidelines, capital adequacy must be determined on a case-by-case basis, given the factors described above. As a point of reference, the IDFPR's regulation describing minimum capitalization requirements for a de novo state bank can be found in Appendix F to this Guide. However, IDFPR may require capital in excess of the figures in Appendix F, as required capitalization is subject to varying concerns and considerations within the regulators' discretion.

The IDFPR and the FDIC will require that at least fifty percent (50%) of the capitalization be allocated to surplus. Also, generally initial capital may not be contributed in the form of subordinated debt or preferred stock, given the concern that interest or dividend payment obligations may impair the bank's capital during its initial years of operation.

Choice of Charter

Organizers must choose one of two commercial bank charters -- either an Illinois state-chartered bank, or a national bank chartered under federal law. Each charter allows for performing the general business of banking in Illinois. However, because of different enabling statutes and regulations, state banks and national banks have some substantive differences. For example, an Illinois state bank may be, but is not required to be, a member of the Federal Reserve. National banks are required to be members of the Federal Reserve and must meet the then current legal reserve requirements in Regulation D for member banks, and must subscribe for and purchase shares of the Federal Reserve Bank of its district.

State banks currently have, in most instances, a higher legal lending limit. Generally, national banks are limited on loans to a single customer to fifteen percent (15%) of capital and surplus, while state banks are limited to twenty-five percent (25%) of capital and surplus.

Despite different statutory minimum initial capitalization standards for state banks and national banks, both the IDFPR and the OCC tend to require a substantially higher, and similar, initial capitalization. Both state banks and national banks must have not less than five nor more than twenty-five directors. State banks more than ten years old with less than twenty million dollars in assets may apply to the IDFPR for permission to reduce the number of directors to not less than three if at least one director is not a bank officer or employee. National bank directors must either be residents of Illinois or maintain a permanent residence within one hundred miles of the main bank's banking premises. State banks are not subject to any comparable mileage restriction.

The choice of charter may also depend on previous experience and familiarity with the regulator. Members of the organizing group may have previously been regulated by, and established a relationship with, either the IDFPR or the OCC.

In recent years in Illinois, most de novo banks have been state chartered. As a general rule, it is less expensive and less time consuming to charter a state bank. However, each organizing group should determine the extent to which substantive differences between the available charters are relevant for their proposed bank.

Formation of a Bank Holding Company

A bank holding company is any company which has control over a bank. Generally, a company controls a bank if: it directly or indirectly, or acting through one or more other persons, owns, controls, or has power to vote twenty-five percent (25%) or more of any class of voting securities of the bank; it controls in any manner the election of a majority of the directors of the bank; or the Federal Reserve determines that the company directly or indirectly exercises a controlling influence over the management or policies of the bank. A bank holding company is a corporation formed under state law to own a bank.

There are several reasons why organizers may wish to form a bank holding company to own the new bank. Generally, a bank holding company may retire organizational or acquisition indebtedness on a pre-tax basis. A bank holding company may offer a broader range of financial services to its customers, having the authority to undertake certain activities not permitted by banks. A bank holding company may consolidate control and create a market for its shares through purchase or redemption. In some instances, a bank holding company may raise capital for use by the bank without regulatory approval, and without stockholder vote or preemptive rights. Also, a bank holding company is beneficial in establishing a multi-bank organizational structure, especially for banks wishing to operate in more than one state.

The organizing group should determine whether it wishes to simultaneously establish a one bank holding company while applying for a new bank charter. It will be necessary for the organizers to file an application on Form Y-3 with the Federal Reserve to establish a one bank holding

company. Although establishing a one bank holding company adds to the paper work in the application and organization process, organizers should seriously consider the many potential benefits. The organizers will have greater flexibility in raising capital, and can achieve savings by retiring indebtedness on a pre-tax basis. Organizers may encounter difficulty if organizational debt is to be retired by a subsequently formed bank holding company, unless all stockholders' organizational debt is in the same proportion of their equity in the stock both initially and when the bank holding company is formed.

Name of Proposed Bank

To avoid confusion by the public, the proposed bank's name should not be the same as or deceptively similar to any other bank in the state. A national bank's name must include the word "National" or the initials "N.A." Many bank names include a geographic reference and the word "Bank," resulting in some similarity among bank names in any given community. While a geographic reference may not be beneficial if a new bank later establishes additional locations outside the referenced geographic area, some names using a geographic reference seem to suggest a bank is older or established.

The Illinois Banking Act allows organizers of a state bank to request that the IDFPR reserve the name intended for the proposed bank. If the IDFPR determines that the name is available for use, the name will be reserved for the exclusive use of the bank in organization.

Organizers should check with the appropriate regulator to determine the availability of the proposed name.

Timing of Process

Generally, the process of organizing a new bank consists of six phases: 1) pre-application filing discussions; 2) application filing; 3) application processing; 4) issuance of a permit to organize or preliminary approval to proceed with organization; 5) organization of the bank and stock subscriptions; and 6) pre-charter examination and pre-opening procedures.

While this process might be completed as quickly as six months in some instances, the process usually takes about nine months to complete. If the organizers elect to also form a one bank holding company, that application and process can be undertaken simultaneously without lengthening the time necessary for completion.

ORGANIZING A STATE BANK

To charter a de novo state bank, an Application for a Permit to Organize a State Bank (the "Application") must be filed with the IDFPR. Before the Application is filed, the IDFPR does some preliminary screening. The incorporators are required to meet in person with the IDFPR. At least five persons are required to act as incorporators. The Illinois Banking Act does, however, permit a bank holding company to be the sole incorporator of a state bank. Each proposed officer, director, and principal stockholder of a de novo state bank must complete and submit a form authorizing a background check. These authorization forms should be submitted with the Application.

Application

After the pre-Application meeting, the completed Application must be filed with the IDFPR. The filing fee currently is \$10,000.

To complete the Application, the following information and documents must be compiled:

1. Name and address of the proposed bank holding company, if applicable, or the names, addresses, and occupations of each incorporator (must be at least five individuals).
2. Names of the proposed directors, president, senior loan officer, cashier, chief investment officer and any other person who will participate in a policy-making capacity.
3. Name and address of the proposed bank, including any request to reserve the proposed name for exclusive use by the bank.
4. Number of shares, par value, and the price for which each share of stock is to be sold. Determine aggregate amounts of common stock, surplus and reserve for operating expenses.
5. Number of shares of bank stock that each incorporator intends to purchase. Identify the amount and source of funds to be used by each incorporator to purchase the stock. If assets are to be liquidated to finance the acquisition, provide a detailed explanation. If necessary, separate schedules should be provided.
6. If any funds will be borrowed by the incorporators or otherwise obtained for the purpose of acquiring stock of the proposed bank, attach a detailed description of the collateral to be pledged and the terms of the transaction, including interest rates, amortization requirements, co-maker, guarantors, endorsers and any other arrangements, agreements and understandings between and among the parties. Copies of any loan commitments should also be provided.
7. If borrowed funds are to be obtained, indicate the sources of funds for debt service. Additionally, explain the extent to which salaries, dividends, fees, etc., from the bank will be needed for debt servicing requirements.
8. Names and addresses of every proposed investor or trustee of a voting trust, other than the incorporators, who are expected to own ten percent (10%) or more of the proposed bank's stock.

Supplemental Information

In addition to compiling the foregoing, the following information must be assembled and attached to the Application:

1. Interagency Biographical and Financial Report and the Authorization for Release of Personal Information forms for each incorporator. For a copy of the Interagency Biographical and Financial Report, refer to Appendix A.
2. Interagency Biographical and Financial Report and the Authorization for Release of Personal Information forms for the proposed directors, president, senior loan officer, cashier, chief investment officer, and any other individual who will participate in a policy-making capacity, and any individual who will own at least 10% of the bank's stock.
3. Fingerprint scans for each of the individuals listed in #1 and #2 above.
4. Pro forma financial statements of the proposed bank. The balance sheet should include specific categories identifying all assets, liabilities and capital for the date of opening and on a quarterly and annual basis for the first three years of operation. The capital presentation must be prepared in a risk-based format, with Tier 1 and Tier 2 capital identified. A risk-based capital ratio and leverage ratio must be calculated on a quarterly and annual basis for each projected year. The income statement should also include specific categories of income and expenses on a quarterly and annual basis for the first three years of operation. An addendum to the pro forma financial statements should explain the assumptions and strategies that will be used to achieve the projected market share for each type of product and service. Include projected interest rates, cost of funds and competition for each type of product and service. Provide the assumptions that are used to calculate the earnings projections.
5. An operation plan that includes the following:
 - a. a description of the market area that the proposed bank intends to serve;
 - b. a map outlining the proposed bank's market area, indicating primary and secondary markets;
 - c. a demographic study of trends for the last five years in that market area as well as future projections for at least three years. (For additional information regarding demographic studies, please contact CBAI). Sources of this information should be identified. The scope of the study must include, but not be limited to, median income, age, occupation, household, family structure, population, educational background, housing and commercial, industrial and residential mix;
 - d. draft Community Reinvestment Act Statement which meets the purposes and criteria of the Community Reinvestment Act;

- e. an explanation of how the proposed bank plans to promote the convenience and needs of the market area;
 - f. a list of the financial services to be offered by the proposed bank;
 - g. the reasons for establishing a bank at the proposed location;
 - h. a description of the proposed main banking premises, including a detailed summary of the costs. Describe any plans for temporary quarters. Provide copies of leases, if available or applicable;
 - i. a list of the proposed salaries and benefits for all bank officers. Indicate whether any officers will be given employment contracts. If so, provide copies or drafts of the proposed contracts;
 - j. copies of proposed by-laws and policies including, but not limited to the Lending Policy, Investment Policy, Funds Management Policy, Bank Secrecy Act, Capital and Dividend Policy, Internal and External Audit Policies, and Information Technology Policy;
 - k. proposed board committees, if not provided in by-laws;
 - l. location and projected cost of proposed branch locations;
 - m. description and projected cost of any proposed subsidiary activity;
 - n. description of any proposed trust activities. A separate application is required;
 - o. a copy of a proposed risk management plan, identifying how the proposed bank will control, monitor, identify and measure credit risk, interest rate, liquidity risk, operation risk, and legal risk;
 - p. a Disaster Recovery Plan; and
 - q. a description of any and all proposed electronic banking activities.
6. Identify all parties involved in the acquisition or lease of the proposed site of the banking premises. Identify any business or personal affiliations between the seller or lessor of the property and any of the organizers, proposed directors, officers or anticipated stockholders who will own 10% or more of the proposed bank stock. Include copies of any sales agreements, lease agreements and appraisals.
7. Provide copies of any feasibility studies conducted for the location of the banking premises. Provide evidence that the proposed banking premises will be in compliance with the local zoning laws.

8. If applicable, provide the results of any environmental tests conducted on the site of the proposed banking premises.
9. Provide a list of projected organization costs and explain each category of expense. The list of organizational costs will generally include filing and regulatory fees, professional and consulting services, payroll and payroll taxes, rent, capital raising costs, printing, postage, telephone, and office supplies.
10. Provide a detailed description and any accompanying information with respect to proposed stock option plans.

After the Application is filed, the IDFPR and the FDIC begin independent investigations of the proposed bank, assessing its capital adequacy, its future earnings prospects, the general character and experience of its management, and the convenience and needs of the community to be served by the bank. Although the Illinois Banking Act does not contain a procedure for adjudicating objections to the Application, the IDFPR will accept and consider formal written objections to the proposed bank.

When the Application is approved, the IDFPR will issue a Permit to Organize the bank. The Permit to Organize should be issued within sixty to ninety (60 to 90) days from the date of acceptance of a complete Application. The Permit to Organize does not enable the bank to commence business. Issuance of the Permit to Organize enables the incorporators to begin soliciting capital, and to execute certain contracts and authorize the performance of other corporate actions.

The Permit to Organize will generally be accompanied by an Order issued by the IDFPR, specifying the regulatory and reporting requirements that must be observed throughout the organizational process. For an example of an Order that might be issued in conjunction with the Permit to Organize, refer to Appendix B.

Post-Application Organization and Charter

Following full subscription of the stock offering, a meeting of the subscribers is called by the incorporators to determine the number (which may not be less than five or more than twenty-five) and election of directors. Unless waived, each subscriber must be given at least three days notice of the meeting.

Once qualified and elected, the directors play a significant role in the bank's organization. The directors must elect one of their members to be president of the bank, and they must adopt by-laws for the administration of the bank's business. A sample set of by-laws compiled by the IDFPR can be found in Appendix G. These sample by-laws are intended to provide general guidance to organizers of de novo banks and to boards of directors. They are not designed to replace legal advice from the proposed bank's legal counsel, and the organizers or directors of a bank should consult with their legal advisors to determine whether different or additional language would be appropriate for that

bank's by-laws. Please note that the sample by-laws found in Appendix G were produced by the IDFPR and that reference to these by-laws does not constitute legal advice or CBAI's endorsement thereof.

The directors must also appoint officers as provided in the bylaws and set their salaries, furnish to the IDFPR a list of stockholders and copies of any other records required by the IDFPR, collect the stock subscriptions, and report the organization to the IDFPR. The IDFPR will also require certified copies of the minutes of the stockholders' and directors' organizational meetings, and certified copies of the bylaws. During the organizational process, the directors must advise the IDFPR of any modifications to the proposed bank's business plans that deviate from the information submitted to the IDFPR in the application for the Permit to Organize.

After this organizational process, the IDFPR will conduct an examination to confirm that no intervening circumstance has occurred to change the IDFPR's findings made in issuing the Permit to Organize. Assuming no adverse changes, the FDIC will be notified that a charter will be issued. The FDIC will notify the proposed bank whether deposit insurance will be provided. The charter is then issued by the IDFPR at the same time the FDIC issues its certificate of deposit insurance. Once the charter has been issued, the bank is deemed to be fully organized and may commence business. The Permit to Organize can be rescinded by the IDFPR if the organization of the bank is not completed within six months.

The IDFPR will generally issue an Order accompanying the issuance of the bank charter. The Order requires that the bank commence business within one year after the issuance of the charter, unless the directors request and receive an extension. The Order also requires the directors to notify the IDFPR within two days after the bank has opened for business and imposes continuing regulatory and reporting requirements on the bank for up to three years. For a sample of the regulatory Order that accompanies the charter, refer to Appendix C.

ORGANIZING A NATIONAL BANK

To charter a de novo national bank, an application ("Application") must be filed with the OCC at its district office in Chicago. The OCC will accept the Application only after a pre-filing meeting has been held with the organizers. At least five persons are required to act as organizers. Biographical and financial reports on each organizer and the proposed chief executive officer must be submitted. The Application must designate a member of the organizing group as a spokesperson. This person will serve as the primary contact between the OCC and the organizers. The OCC will conduct background checks on candidates for the position of chief executive officer and other executive officer positions, as well as all organizers, principal stockholders, and directors.

Application and Supplemental Information

After the pre-Application meeting, the completed Application must be filed with the OCC, along with a filing fee which is currently \$25,000.00. In addition to the foregoing biographical and financial information, the completed Application should include market share projections, an operating plan, a pro forma balance sheet, a pro forma capital computation, and pro forma income and expense projections. The operating plan must show that the proposed bank will: 1) have reasonable earning prospects; 2) be able to hire and retain competent managers; 3) maintain adequate capital; 4) offer services responsive to community needs; and 5) be operated in a safe and sound manner in compliance with applicable laws, policies and procedures. Operating plan assumptions about the market must be reasonable, and the operating plan must present data that accurately reflects the economic condition of the delineated market.

Post-Application Procedures

Upon receipt of the Application, the OCC will undertake a field investigation, will perform a study of the bank's service area, and will complete the background checks. After the Application has been accepted for filing, a notice must be published in a newspaper of general circulation in the community in which the proposed bank will be located. The notice should state the names of the organizers and that the Application is being filed as of the date of publication. Interested persons have thirty days from the date of publication to submit written comments concerning the Application or request a hearing.

Preliminary approval of the Application by the OCC indicates its permission to proceed with the organization of the bank according to the plans set forth in the Application. Preliminary approval is not an assurance that the OCC will grant a new national bank charter. Factors that the OCC must consider in deciding whether to approve or disapprove the Application are: 1) the bank's future earning prospects; 2) the general character of its management; 3) the adequacy of its capital structure; 4) the convenience and needs of the community to be served by the bank; 5) its compliance with the National Bank Act and the Federal Deposit Insurance Act; and 6) the risk

presented by the proposed bank to the insurance fund. In making its decision, the OCC is guided by the following principles: its responsibility for maintaining a sound banking system; the marketplace normally is the best regulator of economic activity; and competition promotes a sound and more efficient banking system that better serves customers.

Within thirty days after preliminary approval by the OCC, the organization certificate and articles of association should be signed by the organizers and filed in duplicate with the OCC. The bank's corporate existence for purposes of entering into contracts and performing all actions other than commencing the banking business will begin as of the date the organization certificate is accepted by the OCC.

After the articles of association and organization certificate have been filed, an organizational meeting of organizers is held to adopt the articles of association and organization certificate, and fix the number of and elect the organizing directors who have been approved by the OCC, including the chief executive officer. The organizing directors will then meet and execute the oath of organizing directors, appoint an organizing chairperson and organizing secretary, and adopt the corporate seal, stock certificate, and bylaws. In addition, the organizing directors shall designate a depository for stock subscription funds, authorize the solicitation of stock subscriptions, authorize the preparation of an offering circular, authorize the purchase of adequate insurance, approve the location of the bank's offices, and approve organizational expenses. The signed oath of organizing directors must be submitted to the OCC.

The offering circular must be submitted to the OCC for review. If appropriate, the OCC will declare the offering circular effective in a declaration of effectiveness letter.

Prior to the solicitation of offers for stock, the organizing directors must establish a depository escrow account at an insured depository institution to hold subscription funds. A copy of the depository agreement must be sent to the OCC. Escrowed funds cannot be released until the bank in organization has met all the conditions for a national bank charter and the OCC authorizes the release by the escrow agent.

The organizing directors may then proceed to solicit offers to subscribe for stock. Each prospective shareholder must be provided with an offering circular and subscription offer. Following full subscription of the stock offering, the organizing directors must submit to the OCC a certificate of payment of capital stock and a certificate of the escrow agent that the subscription funds have been deposited. Any subscriber not previously identified to the OCC as a stockholder to own ten percent (10%) or more of the stock must submit biographical and financial information to the OCC for review. A shareholder list is then prepared and kept on file at the bank.

Before the first meeting of stockholders, a proxy statement must be prepared by the organizing directors and submitted to the OCC for review. At the first meeting, stockholders will elect the board of directors, approve organizational expenses, ratify the articles of association and

organization certificate, ratify all official acts of the organizers, and ratify the organizing directors and organizing officers. The newly elected board of directors will then meet to appoint officers, appoint committees, ratify bylaws and undertake any other organizational matters. The oaths and list of directors are also submitted to the OCC at that time.

Minimum policies and procedures should also be approved by the directors, and provisions made for the implementation and monitoring of policies and procedures once the bank opens.

At least forty-five days before the bank is scheduled to open, the OCC must be notified of the anticipated opening date. A pre-opening examination is conducted by the OCC not less than two weeks before the bank plans to open. A meeting is held with the board of directors and management to discuss the results of the pre-opening examination. Following the meeting, and prior to the bank opening, the directors must verify to the OCC that any deficiencies found in the pre-opening examination have been corrected.

In addition, the necessary application to purchase Federal Reserve Bank stock should be submitted to the Federal Reserve. The fee paid for this purchase is one-half of six percent (6%) of the paid-up capital and surplus of the bank. This purchase can be expensive. If a de novo bank has five million dollars in total capital with forty percent (40%) allocated to paid-up capital and forty percent (40%) allocated to surplus for a total of four million dollars, the Federal Reserve Bank stock will cost \$120,000.00.

The bank will receive notice from the OCC when it is authorized to open. The escrow agent will also receive notice from the OCC authorizing the release of subscription funds. The charter certificate will be issued by the OCC and mailed to the bank. The complete language of the charter must be published in a newspaper of general circulation in the community where the bank is located at least once each week for nine consecutive weeks immediately following the opening of the bank for business. Following publication, proof of publication must be submitted to the OCC.

The organizers have twelve months from the date of preliminary approval to sell capital stock as proposed in the Application. The organizers have eighteen months from the date of preliminary approval to complete the organization of the new bank. Failure to meet these deadlines will generally result in the preliminary approval being rescinded by the OCC.

FEDERAL DEPOSIT INSURANCE APPLICATION

All national banks are required to become members of the Federal Reserve System by purchasing the requisite stock. Upon doing so, a national bank becomes an insured bank under the Federal Deposit Insurance Act. For state chartered banks, the Illinois Banking Act requires that deposit insurance be maintained with the FDIC.

Both state and national banks must file an Application for Federal Deposit Insurance (the "FDIC Application") on Form OMB No. 3064-0001 with the Chicago Regional Office of the FDIC. The FDIC Application should be prepared concurrently with the bank charter application. The FDIC Application requires the submission of information projecting the bank's capitalization, growth, and earnings during the first three years of operation; describing the bank management and its projected market; and disclosing any related party transactions, dividend policy, and related matters. Generally, the information required to complete the FDIC Application is substantially similar to that required by the bank charter application. Notice of filing of the FDIC Application must be published once in a newspaper of general circulation in the community where the proposed bank will be located.

The FDIC has its own forms for background checks. The FDIC requires all incorporators, officers, directors and principal stockholders to be fingerprinted. This should be arranged with each individual's local police station. Forms for the background checks and fingerprinting should be submitted as soon as possible for processing.

RAISING CAPITAL

The concern of bank regulators for the soundness of the banking industry is evident in the requirements imposed on raising capital. The organizing group must plan to raise capital sufficient to support the projected growth of the proposed bank. When initial capital is contributed in the form of subordinated debt, the bank is required to make interest payments. Also, when preferred stock is issued, the issuing bank must pay dividends. Generally, the OCC and the IDFPR do not look favorably on applications that rely on subordinated debt or preferred stock because of the requirement that the bank pay its interest obligations or dividends during its initial years. If the new stockholders are being issued bank stock (rather than bank holding company stock), organizers must generally rely on the issuance of common stock. If a bank holding company is being formed, debt financing may in some instances be approved as described below.

In the organization process, organizers may seek to sell subscriptions for stock only after having first received a Permit to Organize from the IDFPR, or preliminary approval from the OCC. Payments for subscriptions of stock are made but held in escrow by a third party until certain conditions of the escrow are met. Those conditions generally include that sufficient subscriptions exist for the minimum capital to be raised, the FDIC's commitment to issue deposit insurance, and the issuance of a charter. If the conditions of the escrow are not met, then the full amount of the subscribed funds must be returned to the subscribers. If the conditions of the escrow are met, only then may the organizers obtain and pay the funds into the bank and issue bank stock to the subscribers.

Securities Law Issues - Banks

Bank securities are exempt from the registration requirements of the Illinois Securities Act, as well as the federal Securities Act of 1933 and the Securities Exchange Act of 1934, unless the 1934 Act applies because the bank will have five hundred or more stockholders. Recently, the Securities Department of the Illinois Secretary of State has asserted that uncompensated organizers of Illinois banks must register as salespersons under the Illinois Securities Act before soliciting subscriptions for the purchase of shares of bank stock, notwithstanding the exemption from registration for the securities. In some recent instances, organizers have registered with the Illinois Securities Department solely for the purpose of selling the bank's stock, and the Illinois Securities Department has waived the examination requirement for salespersons. Before undertaking to obtain subscriptions for stock, organizers should consult with legal counsel as to the requirement for registration of salespersons with the Illinois Securities Department.

The Illinois Banking Act contains no rules governing disclosures to prospective stockholders. The IDFPR has issued guidelines for offering circulars and subscription agreements. A copy of the offering circular for a state bank must be sent to the IDFPR. The FDIC has issued regulations establishing minimum standards for disclosure in the offering circular of a state bank which is not a member of the Federal Reserve. The OCC also has

regulations governing the offering circular for national banks. Offering circulars for national banks must be submitted for review by the OCC and must be declared effective prior to being distributed.

Generally, an offering circular should identify permissible investors and tell them how to subscribe; identify risk factors involved in a de novo bank; provide certain projected financial information; describe the offering and how proceeds of the offering will be used; describe the business of the bank and state the material effects that compliance with state and federal banking laws will have on the bank's operations; identify the organizers, directors, and executive officers; and disclose any transactions with insiders.

After the offering circular has been reviewed and approved, each prospective stockholder must be provided with the approved offering circular and subscription offer. Funds received must be escrowed in an unaffiliated, insured depository institution. The OCC requires that the depository institution invest the funds only directly in U.S. government securities, and does not consider repurchase agreements to be direct investments in government securities. Funds collected may not be used until disbursement has been authorized by the appropriate bank regulator.

Securities Laws Issues - Bank Holding Companies

Bank holding companies are corporations organized under state law, and the issuance of bank holding company stock is not covered by the exemption under state and federal securities laws for banks.

It is unlawful for organizers to sell or offer for sale any stock unless a registration statement has been filed with the Securities and Exchange Commission, or there is an exemption from registration under the Securities Act of 1933. One exemption which may be available to organizers is the private offering exemption. This exemption is available to an issuer which does not engage in any general solicitation or advertising relating to the sale of stock, and sells stock to no more than thirty-five purchasers who are not "accredited investors". As to each purchaser who is not an accredited investor, the organizers must believe, after reasonable inquiry, that the purchaser has sufficient knowledge and experience to be capable of evaluating the risks of the investment. Although not subject to registration requirements, the issuance of shares under the private offering exemption requires that certain disclosures be made to all purchasers. These disclosures are similar to those described for the offering circular above. This exemption also requires that the buyer must purchase with a present intention of holding the securities and not with a view to resale. The stock certificates issued by the bank holding company should contain a legend confirming that intention of the stockholder. The organizers should file with the Securities and Exchange Commission a notice of sales on Form D within fifteen days of the date of first sale.

The Illinois Securities Law also contains provisions similar to those of the 1933 Act requiring that securities be registered prior to sale or covered by an exemption from registration. A frequently used exemption under the Illinois Securities Law covers offers and sales to both residents and non-residents of Illinois in which all sales to Illinois residents within the preceding twelve month period have been made to not more than thirty-five persons, with no general advertising or solicitation used. In addition, if any commissions have been paid, they must not exceed twenty percent (20%) of the sale price if sold to an Illinois resident. The organizers should file a Form 4G with the Illinois Secretary of State within three months of the date of first sale to an Illinois resident, and thereafter every three months until all sales have been concluded.

If an exemption is not available under state and federal securities laws, the organizers must file a registration statement. Registration is costly and time consuming. However, because shares are often issued to a relatively small number of investors, without general advertising or solicitation, an exemption from registration is frequently available.

The bank holding company is regulated by the Federal Reserve. The Federal Reserve has guidelines governing acquisition indebtedness involving small banks, which allow higher levels of indebtedness than would be permitted for larger bank holding companies. Provided certain conditions are met, the Federal Reserve will allow acquisition indebtedness not to exceed seventy-five percent (75%) of the purchase price of the bank to be acquired. In evaluating such an application, the Federal Reserve looks at the past and prospective earnings and growth of the bank, its asset quality, its management, and its ability to meet debt service requirements without placing an undue strain on the bank's resources. The Federal Reserve has not provided by regulation any similar guidelines for indebtedness in the case of the formation of a new bank holding company to own a de novo bank. Organizers seeking approval for an application with a similar debt-to-equity ratio should take measures to assure that the ratio will not increase, and that the bank holding company will be able to meet its debt service requirements without additional borrowings and without reliance on cash flows of any kind from the new bank until it establishes a record of safe operations. The bank holding company may consider establishing a cash reserve sufficient to cover debt service for the first two years of the new bank's operation. In addition, the bank holding company may wish to consider having available commitments for the injection of additional capital to support the debt- to-equity ratio, or to assist in meeting debt service requirements in the event the reserve is exhausted or the bank can not provide dividends. Generally, because a de novo bank does not have a track record of established earnings and may need capital to support growth, organizers may not be able to reach the maximum seventy-five percent (75%) debt-to-equity ratio available in acquisitions.

Appendix A

OMB No. for FDIC 3064-0006
OMB No. for FRB 7100-0134
OMB No. for OCC 1557-0014
OMB Nos. for OTS 1550-0005/0015/0047
Expiration Date: 12/31/2001

INTERAGENCY BIOGRAPHICAL AND FINANCIAL REPORT

Public reporting burden for this collection of information is estimated to average 2 hours for biographical information and 2 hours for financial information. This estimate includes time to gather and maintain data in the required form, to review instructions, and to complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Office of the Executive Secretary, Federal Deposit Insurance Corporation, 550 17th Street, NW, Washington, DC 20429; Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551; Licensing Policy and Systems Division, Comptroller of the Currency, 250 E Street, S.W., Washington, DC 20219; or Corporate Activities Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552; and to the Office of Management and Budget, Paperwork Reduction Project, Washington, DC 20503.

An organization or a person is not required to respond to a collection of information unless it displays a currently valid OMB control number.

GENERAL INFORMATION AND INSTRUCTIONS

This *Interagency Biographical and Financial Report* (report) is used by **individuals**¹ in conjunction with other corporate filings to the appropriate regulatory agency. This report is not a stand alone document.

Preparation

Use of this report is not mandatory. Alternative formats, if used, however, must provide all requested information, including the certification of correctness. All questions must be answered with complete and accurate information that is subject to verification. If the answer is "none," "not applicable," or "unknown," so state. Answers of "unknown" should be explained. The questions are not intended to duplicate information supplied on another form or in an exhibit; a cross reference to the information is acceptable. If this report is used, questions should be answered in the space provided. Use additional sheets as necessary. Each regulatory agency will provide additional instructions for use and preparation. If the report is not complete, the regulatory agency may either request additional information or return the filing. If you are a foreign national or a United States citizen who currently resides in a foreign country, additional information will be necessary.

Financial statements from individuals must be submitted as of a date not more than 90 days prior to the date the financial report is submitted. All amounts in this report must be based on current market value in United States dollars, rounded to the nearest thousand dollars, and agree with any totals in the supplementary schedules. In addition to the sample financial schedules, you may wish to provide supplementary schedules for other items on the financial statement. If the sample financial statement is used, an answer is required to each item. If the filer chooses to use another format, the information filed must be responsive to each request for information contained in the sample format. In addition, each regulatory agency specifically reserves the right to require up to five years of financial data from any acquiring person as well as the filing of additional information and/or statements, such as a Federal income tax return or a current appraisal to support an asset's value.

If a filer has been convicted of any criminal offense involving dishonesty, breach of trust, or money laundering, or has agreed to enter into a pretrial diversion or similar program in connection with a prosecution of such offense

¹ A **company** seeking to directly or indirectly acquire control of a bank or thrift should consult with the appropriate regulatory agency for filing instructions.

(12 U.S.C. § 1829), the filer must obtain approval from the FDIC before being employed in or being an affiliated party with a depository institution.

Each filer must report promptly any material change in the biographical report and/or financial condition that occurs during the review period for this filing. For additional information regarding the processing procedures and guidelines and any supplemental information that may be required, please refer to the appropriate regulatory agency's procedural guidelines (i.e., the FRB's Processing Applications Through the Federal Reserve System and the Applications Procedures Manual, Comptroller's Corporate Manual, the FDIC's Rules and Regulations (12 C.F.R. § 303), or OTS' Application Processing Handbook) or contact the agency directly for specific instruction.

Confidentiality

In general, requests for confidential treatment of specific portions of the application must be submitted in writing concurrently with the submission of the application and must discuss the justification for the requested treatment. Applicant's reasons for requesting confidentiality should specifically demonstrate the harm (e.g., to its competitive position, invasion of privacy) that would result from public release of information (5 U.S.C. 552). Information for which confidential treatment is requested should be (1) specifically identified in the public portion of the application (by reference to the confidential section); (2) separately bound; and (3) labeled "Confidential." Applicant should follow the same procedure regarding a request for confidential treatment with regard to the subsequent filing of supplemental information to the application.

An Applicant should contact the appropriate regulatory agency for specific instructions regarding requests for confidential treatment. The appropriate regulatory agency will determine whether the information submitted as confidential will be so regarded and will advise the Applicant of any decision to make available to the public information labeled as "Confidential."

(Area Code)(Telephone Number)

(Fax Number)

(j) Trade names and/or other names used in place of given name and period of and reason for use.

<u>Name</u>	<u>Period of Use</u>	<u>Reason for Use</u>
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2. Employment Record

(a) List employment in reverse chronological order for the last five years.

<u>Date From</u>	<u>Date To</u>	<u>Name/Location (City, State) Nature of Business</u>	<u>Position Held/ Nature of Duties</u>	<u>Reason for Leaving</u>
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(b) Have you ever been dismissed or asked to resign from any past employment, including a less than honorable discharge from military service? Yes No
If "yes," complete the following:

<u>Employer's Name/ Address/Telephone</u>	<u>Position</u>	<u>Date of Discharge</u>	<u>Explanation</u>
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3. Education and Professional Credentials

List each (a) diploma/degree from high schools, colleges, universities, or other schools, and (b) professional license or similar certificate you now hold or have held (for example, Attorney, Physician, CPA, NASD or SEC registration).

(a) School's Name/Location From To Degree

(b) License Issuing Authority Date Issued Expiration

4. Business and Banking Affiliations

(a) List any businesses (corporation, partnership, joint venture, trustee) with which you are associated.

<u>Business Name/ Location</u>	<u>Nature of Business</u>	<u>Position/ Relationship</u>	<u>Percent Ownership</u>	<u>From</u>
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(b) List any financial institutions with which you are or have been associated as an officer, director, partner, trustee, or owner (10% ownership or more of any class of stock).

<u>Financial Institution/ Location</u>	<u>Nature of Business</u>	<u>Position/ Relationship</u>	<u>Percent Ownership</u>	<u>From</u>	<u>To</u>
--------------------------------------------	-------------------------------	-----------------------------------	------------------------------	-------------	-----------

- (c) Are you now or are you proposed to be a "management official," as defined in the Depository Institutions Management Interlocks Act (DIMIA)(12 U.S.C. §§ 3201-3208), of another insured depository institution or depository institution holding company? Yes No

If "yes," explain either why the potential interlock is not a violation of the DIMIA, or what action will be taken to prevent a violation of the DIMIA.

- (d) Are you in the process of being considered for a senior executive officer or director position by any other regulatory agency? Yes No

If "yes," provide the name of the agency and the institution or holding company.

5. Legal and Related Matters

(If "yes" is answered to any item in (a) - (e) below, describe the situation in detail, including the name and location of the institution, business, or parties involved, the date(s), nature of the charge/association/proceeding, name and address of court involved, and the disposition.)

- (a) Have you ever been the subject, in your individual or corporate capacity, of a prior or current application or notice that was filed in final form and subsequently denied, withdrawn, or otherwise failed to obtain favorable action, or other regulatory matter and/or administrative action pertaining to any federal or state financial institution? Yes No
- (b) Have you been associated as a senior executive officer, director, or principal shareholder (owning 10% or more of the outstanding stock) with any insured depository institution or financial institution holding company that has been subject to any enforcement action or have you been personally subject to a prohibition or removal order, civil money penalty, or other enforcement action? Yes No
- (c) Have you been associated as a senior executive officer, director, or principal shareholder of any insured depository institution, as defined in 12 U.S.C. § 1813(c), that: (1) failed, (2) received financial assistance from a financial institution depository agency (e.g., FDIC, Resolution Trust Corporation, or former Federal Savings and Loan Insurance Corporation), or (3) was a merger partner with an institution that received financial assistance from a financial institution depository agency? Yes No
- (d) Have you ever been involved, or are you currently involved, in any lawsuit, formal or informal investigation, examination, or administrative proceeding (excluding routine or customary audits, inspections, and investigations) issued against, entered into by, or involving you or a company with which you are or were associated that may result in or resulted in any sanction, fine, monetary damage, loss of right or benefit, revocation of license, agreements, undertakings, consents or orders with any federal or state court, any department, agency, or commission of the U.S. government or state, municipal, or foreign government entity? Yes No
- (e) Have you or any business or enterprise with which you have been associated as an officer, including a senior executive officer, director, or principal shareholder of 10% or more of outstanding stock, filed for bankruptcy or forfeited property? Yes No

- (f) Have you ever defaulted on a personal loan, loan to your company, or loan in which you were a guarantor? If "yes," provide complete details, including direct and indirect debt terms, defaulted amount, and lender. Yes No
- (g) Have you or any business or enterprise with which you are or were associated as an officer, including a senior executive officer, director or principal shareholder (owning 10% or more of the outstanding stock), been the subject of any law enforcement agency's charge, arrest, indictment, conviction, conviction whereby the record was subsequently expunged, or have you pleaded *nolo contendere* to any criminal matter (other than minor traffic violations)? Yes No

If "yes," complete the following:

<u>Name/Type of Business</u>	<u>Relationship/ Stock Owned</u>	<u>Nature of Charge/Proceeding</u>	<u>Date of Charge</u>	<u>Jurisdiction Location</u>	<u>Disposition</u>	<u>Date</u>
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6. Additional Information

Present any other information you believe is important to evaluate your filing. If you are involved in the organization of a new institution, discuss your specific role.

FINANCIAL REPORT

FINANCIAL STATEMENT AS OF _____
(in thousands)

Assets		Liabilities and Net Worth	
1. Cash on hand and in financial institutions	\$ _____	8. Accounts payable	\$ _____
2. Marketable securities (Schedule A)	_____	9. Notes payable and other loans (Schedule F)	_____
3. Other securities	_____	10. Real estate mortgages (Schedule C)	_____
4. Notes receivable (Schedule B)	_____	11. Other liabilities (Schedule G)	_____
5. Real estate (Schedule C)	_____	TOTAL LIABILITIES	_____
6. Proprietary interests (Schedule D)	_____	12. Net worth (Total assets less total liabilities)	_____
7. Other assets (Schedule E)	_____		
TOTAL ASSETS	\$ _____	TOTAL LIABILITIES AND NET WORTH	\$ _____

CONTINGENT LIABILITIES

In addition to the liabilities listed above, have you endorsed, guaranteed, or become otherwise indirectly or contingently liable for the debts of others or through a pending lawsuit? Yes No If "yes," complete the following:

Name and address of Debtor/Obligor	Name and address of Creditor/Obligee	Description and Value of Collateral	Date Due	Current Amount
TOTAL				\$ _____

SUPPORTING SCHEDULES

Schedules must agree in total with the appropriate item contained in the Financial Statement on page 5 of this report.

Schedule A – Marketable Securities

Indicate all debt and equity securities listed on an exchange or otherwise regularly traded in an open market. Separate debt and equity securities. Securities of closely held corporations should be listed on Schedule D--Proprietary Interests. The description should include the name of the issuer; the principal amount or number of shares held; and the interest rate, if applicable. Small holdings may be aggregated and shown as "other" provided that they account for no more than 10% of marketable securities.

Description	Market Value
	\$
TOTAL (carry forward to item 2)	\$

Schedule B – Notes Receivable

The description should include the name of the obligor; the note's maturity and terms of repayment; and a description of any collateral. If the note is payable to you and others jointly, indicate only your beneficial interest under Current Balance.

Description	Current Balance
	\$
TOTAL (carry forward to item 4)	\$

Schedule C – Real Estate and Related Loans

List all real estate in which you hold a beneficial interest. Submit year-end financial statements, including profit and loss statements, for the last two years for each investment (exclude residence) in which you have an interest equal to 10% or more of your net worth. Also submit a cash flow statement on any investment property valued at greater than 10% of net worth.

Description and Location (City and State)	Owner of Property	% Owner-ship	Mortgage Holder	Maturity Date	Current Market Value*	Current Balance**
					\$	\$
TOTAL					\$	\$

- * Carry TOTAL forward to item 5
- ** Carry TOTAL forward to item 10

Schedule D – Proprietary Interests

List all business enterprises in which you hold a beneficial interest. The term "business enterprise" includes a corporation, association, partnership, business trust, sole proprietorship, or other business, the shares of which are not listed on a securities exchange or otherwise regularly traded. Under "Legal Form of Business," state the legal form of the business (corporation, joint venture, etc.) (Submit year-end financial statements, including profit and loss and cash flow statements, for the last two years for each business interest in which you have an interest equal to 10% or more of your net worth).

Name and Address of Business	Legal Form of Business	Nature of Business	% Ownership	Current Value
				\$
TOTAL (carry forward to item 6)				\$

Schedule E - Other Assets

If any one asset amounts to 10% or more of net worth, briefly describe the asset. Include accounts receivable, merchandise and inventory at lower of cost or market value, machinery and equipment (less depreciation), life insurance at its cash surrender value, retirement funds (IRA, Keogh, etc.)

Description	Basis for Valuation	Current Value
		\$
TOTAL (carry forward to item 7)		\$

Schedule F – Notes Payable and Other Loans

Indicate all loans or notes payable other than real estate mortgages listed in Schedule C. Loan origination information must include the original date, loan amount, and co-makers, if any, and their percent obligation. Small obligations may be aggregated and shown as "other" provided that they account for no more than 20% of other loans and notes payable. Indicate any debt that is contractually delinquent by an asterisk next to the current balance.

Name and Address of Creditor and Loan Origination Information	Description and Value of Collateral	Maturity Date	Current Balance
			\$
TOTAL (carry forward to item 9)			\$

Schedule G - Other Liabilities

If any one liability amounts to 10% or more of net worth, briefly describe it. Include interest and taxes due and unpaid, other debts accrued and other liabilities.

Payable To	Description	Maturity Date	Current Balance
			\$
TOTAL (carry forward to item 11)			\$

Cash Flow Statement*

<u>Sources of Cash</u>	20__	20__	Year to Date 20____	Projected Next Year 20____
Salaries, wages, commissions, or other employment income	\$	\$	\$	\$
Rents, royalties, and investments				
Income from dividends and interest				
Other sources				
Total cash received				
Uses of Cash				
Personal living expenses (rent, household, etc.)				
Fixed obligations				
Income taxes				
Other uses				
Total cash outlay				
NET CASH FLOW (deficit)	\$	\$	\$	\$

*Discuss any significant changes and itemize any items amounting to 10% or more of total income on a separate page, including insurance payments. Fixed obligations include bank loans, other loans, amortization and other debt servicing, and non-loan expenses for real estate investments. Any loan proceeds and debt service associated with this transaction should be included in projections for "Other" sources and uses.

Privacy Act Notice

A copy of this document is provided to the appropriate regulatory agency as required under various statutes and implementing regulation(s). To the extent that it contains personal and financial information about persons, the information may be subject to the Privacy Act of 1974 (5 U.S.C. § 552a) which provides safeguards for personal information. The appropriate regulatory agency may, at its discretion, disclose any or all of the information obtained concerning you to other regulatory agencies or other law enforcement or governmental agencies, in connection with the investigation of a possible violation of any federal or state statute or when such release is determined to be in the best interest of the appropriate regulatory agency and consistent with the public interest and applicable law. The appropriate regulatory agency may obtain information about you from any and all sources without limitation. These documents are considered confidential and generally are exempt from public disclosure under the authority of 5 U.S.C. § 552, relating to a personnel, medical, or similar record, including a financial record, or any portion thereof, the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.

CERTIFICATION

I understand that the appropriate regulatory agency may conduct extensive checks into my background, experience, and related matters in conjunction with my application or filing. I certify that the information contained in the biographical report and/or financial report has been carefully examined by me and is true, correct, and complete. I acknowledge that any misrepresentation or omission of a material fact, with respect to the foregoing, constitutes fraud in the inducement and may subject me to legal sanctions provided by 18 U.S.C. §§ 1001 and 1007.

Signed this ____ day of _____, _____.

Signature

Signature*

Print or type name

Print or type name

Title (if applicable)

Title (if applicable)

* If a joint financial statement is being submitted, both parties should complete the "Certification."

Appendix B

ORDER GRANTING A PERMIT TO ORGANIZE

WHEREAS, the Illinois Department of Financial and Professional Regulation (hereafter "IDFPR") has investigated the truth of and considered the statements in the Application for a Permit to Organize a State Bank (hereafter "Application") and the accompanying and supporting documents submitted by [List Organizers] (hereafter "Organizers") to the extent the IDFPR deems appropriate to support the findings required by Section 10 of the Illinois Banking Act (hereafter "Act"); and

WHEREAS, the IDFPR is of the opinion and finds:

- 1) That the proposed capital meets the requirements of the Act.
- 2) That the future earnings prospects are favorable.
- 3) That the general character of the proposed management is such to assure a reasonable promise of successful, safe and sound operation.
- 4) That the name of the proposed Bank is not the same as or deceptively similar to a name reserved under Section 9.5 of the Illinois Banking Act or the name of any other bank operating in the State of Illinois.
- 5) That the convenience and needs of the area sought to be served will be promoted.

THEREFORE, IT IS HEREBY ORDERED, pursuant to the authority granted by Section 48(6)(b) of the Act:

- 1) That a Permit to Organize (hereafter "Permit") be issued to the Organizers of [Name and Location of Proposed Bank] (hereafter "Bank"). The Permit shall expire on [Expiration Date], unless a request for an extension has previously been submitted in writing to the IDFPFR and the request has been approved. Such request shall be signed by all of the Organizers and shall:
 - A) Fully disclose the reason(s) the organization process has not been completed;
 - B) Describe the aspects of the organization process that have been completed to date;
 - C) Describe the effect that the extension will have on the projected organizational expenses and projected operating results of the proposed Bank; and
 - D) Detail the action(s), including time frames, which will be undertaken to complete the organization process;
- 2) The Organizers shall submit final copies of all written information, such as stock subscription agreements, offering circulars, or other documents or amendments thereto, to the IDFPFR for review at least 30 days prior to distribution.
- 3) At a minimum, capital stock totaling \$[Minimum Amount of Capital Stock], with a par value of \$[Amount of Par Value], and surplus totaling \$[Amount of Surplus] shall be paid in full prior to the expiration of the Permit.
- 4) Subscriptions to the capital stock of the proposed Bank collected pursuant to Section 12(a)(6) of the Act shall be placed in escrow.
- 5) The proposed Bank's initial Tier 1 capital, net of any and all organizational and preopening expenses, shall be no less than \$[Amount of Tier 1 Capital less projected organizational and preopening expenses] without the prior approval of the IDFPFR.
- 6) Prior to the issuance of the charter, the proposed Bank shall obtain written approval from the Federal Deposit Insurance Corporation for the insurance of the proposed Bank's deposits.
- 7) Prior to the issuance of the charter, the directors of the proposed Bank shall certify, in writing, to the IDFPFR that no intervening circumstances have occurred during the organization of the proposed Bank to change the IDFPFR's findings.
- 8) Prior to the issuance of the charter, the directors of the proposed Bank shall submit to the IDFPFR documentation substantiating all of the organizational and preopening expenses that are proposed to be charged to the capital of the proposed Bank and /or the proposed Bank's holding company.

- 9) Prior to the issuance of the charter, any change in any organizer, director, president, senior loan officer, chief investment officer or cashier of the proposed Bank, or any person who will have significant influence over or who will participate in major policy making decisions of the proposed Bank, or any person who proposes to own 10% or more of the outstanding capital stock of the proposed Bank or the proposed Bank's holding company shall receive the IDFPR's prior written approval.
- 10) Any organizer, director, president, senior loan officer, chief investment officer or cashier of the proposed Bank, any person who will have significant influence over or who will participate in major policy making decisions of the proposed Bank, or any person who proposes to own 10% or more of the outstanding capital stock of the proposed Bank or the proposed Bank's holding company shall receive the IDFPR's written approval prior to incurring debt to finance the purchase of the capital stock of the proposed Bank.
- 11) Prior to the issuance of the charter, the directors of the proposed Bank shall submit evidence to the IDFPR that adequate blanket bond coverage has been procured for the proposed Bank.
- 12) Prior to the issuance of the charter, the directors of the proposed Bank shall submit to the IDFPR the following information concerning the plan for the proposed Bank's information systems processing:
 - A) The name and telephone number of the employee who will be responsible for information systems processing activities; and
 - B) A statement indicating if the proposed Bank will use an in-house computer system or a data processing servicer. If the proposed Bank is using an in-house system, provide a statement identifying the hardware, software and the vendor supplying each. If the proposed Bank is using a data processing servicer, provide a statement identifying the data center that will provide the services and a description of how dollar transactions will be entered into the service provider's computer system.
- 13) Prior to the issuance of the charter, the directors of the proposed Bank shall submit evidence to the IDFPR documenting that the proposed Bank shall have an audit of its financial statements conducted by an independent public accountant within one year from the date the charter is issued.
- 14) Prior to the issuance of the charter, any significant deviation or change from the original plan of operation or proposed business activities submitted with the Application shall receive the IDFPR's prior written approval.
- 15) Prior to the issuance of the charter, the directors of the proposed Bank shall certify, in writing, to the IDFPR that all of the proposed Bank's capital stock, together with a surplus of not less than 50% of the capital, has been fully paid in and collected.

- 16) Prior to the issuance of the charter, the directors of the proposed Bank shall file with the IDFPR a list of the stockholders of the proposed Bank certified by the proposed Bank's president or cashier, to include the number of shares owned by each stockholder and the stockholder's address.
- 17) Prior to the issuance of the charter, the directors of the proposed Bank shall file with the IDFPR a copy of the subscribers' meeting minutes certified by the proposed Bank's president or cashier.
- 18) Prior to the issuance of the charter, the directors of the proposed Bank shall file with the IDFPR a copy of the adopted by-laws and organizational meeting minutes of the proposed Bank certified by the proposed Bank's president or cashier.
- 19) The directors of the proposed Bank shall notify the IDFPR, in writing, at least 60 days in advance of the requested opening date that all conditions and requirements necessary to receive a state bank charter have been met, request a preopening examination, and set forth the requested opening date of the proposed Bank.

ORDERED THIS [Day] DAY OF [Month, Year].

Illinois Department of Financial and Professional Regulation

Appendix C
ORDER ISSUING A CHARTER

WHEREAS, the Illinois Department of Financial and Professional Regulation (hereafter "IDFPR") has reviewed all of the documents submitted by the Board of Directors (hereafter "Directors") of the proposed [Name and Location of Bank] (hereafter "Bank") to the extent the IDFPR deems appropriate to support the findings required by Sections 11, 12 and 13 of the Illinois Banking Act (hereafter "Act"); and

WHEREAS, having relied on the information provided by the organizers and Directors of the proposed Bank, the IDFPR is of the opinion and finds:

1. That the organizers of the proposed Bank opened the books of subscription to the capital stock (and the preferred stock) in accordance with the provisions of Section 11 of the Act;
2. That capital stock totaling \$(Amount of Capital Stock), consisting of (number of shares) shares with a par value of \$(Amount of Par Value), (and preferred stock totaling \$Amount of Preferred Stock, consisting of (number of shares) with a par value of \$Amount of Par Value,) together with a surplus of \$(Amount of Surplus) have been all fully paid in and that a record of such has been filed with the IDFPR;
3. That after the capital stock (and the preferred stock) of the proposed Bank was (were) fully subscribed for, the subscribers to the capital stock (and preferred stock) held a meeting, in accordance with the provisions of Section 11 of the Act, at which they elected (Number of Directors) directors;
4. That the Directors of the proposed Bank have qualified themselves as directors, elected one of themselves as president, adopted bylaws consistent with the provisions of the Act, appointed officers provided for in the bylaws and fixed the salaries of such officers, provided the IDFPR with stockholder lists and all records the IDFPR requested, and reported the organization to the IDFPR in accordance with the provisions of Section 12 of the Act;
5. That no intervening circumstances have occurred to change the IDFPR's findings made under Section 10 of the Act;
6. That the prior involvement by any stockholder who will own a sufficient amount of stock to have control of the proposed Bank, whether as stockholder, director, officer, or customer at another financial institution, was conducted in a safe and sound manner; and
7. That the organizers and Directors have met all of the requirements of the Act.

THEREFORE, IT IS HEREBY ORDERED, pursuant to the authority granted by Section 48(6)(b) of the Act:

- 1) That a charter be issued to [Name and Charter Address of Bank] on (Date Charter Issued). The Bank must commence a general banking business before (One year from date charter issued), unless a request for an extension has been previously submitted in writing to the IDFPR and the request has been approved. Such request shall be signed by all of the Directors and shall:
 - A) Fully disclose the reason(s) the Bank has not commenced a general banking business;
 - B) Describe the current and projected effects the inability to commence a general banking business has and will have on the Bank's capital and operating results; and
 - C) Detail the action(s), including time frames, which will be undertaken to commence a general banking business;
2. Within two (2) days from commencing a banking business, the Directors of the Bank shall notify the IDFPR, in writing, of the date the Bank commenced a general banking business;
3. Prior to accepting deposits, the Bank shall obtain from and, at all times while it accepts or retains deposits, maintain deposit insurance as authorized under federal law;
4. For a period of three (3) years from the date the Bank commences a general banking business, the Bank must receive the prior written consent of the IDFPR before engaging in any significant deviation or change from the plan of operation or proposed business activities presented to the IDFPR in the application for a permit to organize or during the organization of the Bank;
5. For a period of three (3) years from the date the Bank commences a general banking business, the Bank must maintain a Tier 1 capital to total assets ratio of no less than 8% and maintain and fully fund an adequate allowance for loan and leases losses;
6. For a period of two (2) years from the date the charter is issued, any change in a director, president, senior loan officer, chief investment officer or cashier of the Bank or any person who has significant influence over or who participates in major policy making decisions of the Bank shall receive the IDFPR's prior written approval;
7. The Bank shall not refinance any loans obtained or make any loans to purchase the Bank's stock without the prior written consent of the IDFPR;
8. For a period of three (3) years from the date the charter is issued, the Bank shall have an annual audit of its financial statements conducted by an independent public accountant, furnish a copy of the independent auditor's report, including any management letters, to

the IDFPR within fifteen (15) days from the Bank's receipt, and notify the IDFPR within fifteen (15) days when a change in the Bank's independent public accountant occurs;

9. The Bank's books and records must be maintained on an accrual accounting basis and in accordance with generally accepted accounting principles; and
10. Upon the issuance of the charter, the Bank shall obtain and maintain adequate blanket bond coverage.

ORDERED THIS [DATE] DAY OF [MONTH, YEAR].

Illinois Department of Financial and Professional Regulation

Appendix D

REFERENCES AND OTHER INFORMATION

The following community bankers were instrumental in the formation of de novo Illinois banks. They now serve as the CEO's of their respective banks and have graciously agreed to make themselves available as references and resources for the "CBAI Guide to Organizing a New Bank in Illinois." They may have helpful suggestions, who to contact, and what to do in any given situation.

W. Franklin Appleby Jr.
President & Director
The Peoples' Bank of Arlington Heights
10 South Vail Avenue
Arlington Heights, Illinois 60005 Phone: (847)368-0100
Date Chartered: 1999

William C. Gooch, Jr.
Chairman & CEO
Community Bank of Elmhurst
330 W. Butterfield Rd.
Elmhurst, Illinois 60126 Phone: (630) 782-1234
Date Chartered: 1993

Thomas Gooding
Chairman
First Community Bank of Hillsboro
807 South Main St., Box 40
Hillsboro, Illinois 62049 Phone: (217) 532-2030
Date Chartered: 1998

Appendix E

PLANNING CHECKLIST AND TIMELINES

A. DE NOVO BANK PLANNING CHECKLIST

<u>Item</u>	<u>Responsible Dept./Office</u>
1. Obtain Final Approval from State/FDIC/Comptroller/Federal Reserve	
2. Send Notice of Opening Date of State/FDIC/Comptroller/Federal Reserve	
3. Establish Service Charges, Fees, Rates	
4. Review Products and Services	
5. Train Appropriate Staff on: <ul style="list-style-type: none">- Corporate policy- Personnel policy- General accounting (Charts of accounts, expense, control, signing authorities, etc.)- Credit - commercial/consumer loan policy- Investment- Trust policy/procedures- Corporate compliance	
6. Identify and obtain staff members	
7. Obtain directories: <ul style="list-style-type: none">- Internal telephone directory- Internal Corporate telephone directory- Bank directory- City directory- Bank operations contact list- Zip Code directory	
8. Provide bank operations overview	
9. Insure Head Teller: <ul style="list-style-type: none">- Records bait money numbers- Orders adequate opening cash/currency	
10. Establish cash/currency limits for: <ul style="list-style-type: none">- Banking office- Each teller	

- | <u>Item</u> | <u>Responsible
Dept./Office</u> |
|-----------------------------------------------------------------------------|-------------------------------------|
| 11. Arrange for signing and operating authorities | |
| 12. List distribution of all keys and establish key control records | |
| 13. Order business cards for personnel as appropriate | |
| 14. Order/install equipment: | |
| - PC's/printer | - Teller terminals |
| - Microfiche viewer | - Copy machine |
| - Adding machine | - Shredder |
| - Currency counter | - Cash drawer trays |
| - Safe Deposit Vault Clock | - Microfilmer |
| - Encoder | - Typewriters |
| 15. Order letterhead stationery and envelopes with Bank logo | |
| 16. Establish control records for negotiable instruments: | |
| - Traveler's cheques | |
| - Cashier's checks | |
| - Counter checks | |
| 17. Prepare Marketing Program | |
| - Marketing strategies | |
| - Necessary publicity | |
| - Ads | |
| - Opening ceremonies | |
| - Advertising and services stand | |
| - (Lobby display rack with initial supply of brochures) | |
| 18. Develop budgetary projections | |
| 19. Prepare and implement Business Development Plan and public notification | |
| 20. Obtain appropriate permits, licenses and posters: | |
| - U.S. Department of Labor | |
| - OSHA - Job safety and health protection | |
| - Federal Wage and Hour Law | |
| - Illinois Department of Commerce and Community Affairs | |
| - Bureau of Unemployment | |
| - Equal Employment Opportunity | |
| - Age Discrimination Law | |
| - Worker's Compensation Law | |
| - Occupational License | |

<u>Item</u>	<u>Responsible Dept./Office</u>
21. Order Safe Deposit supplies: - Forms - Safe deposit key - Set-up in system	
22. Meet vendors to make arrangements as necessary	
23. Select and order supplies	
24. Order starter kit supplies, forms, etc.	
25. Secure paying and issuing agent number for Series EE Bonds	
26. Secure designation as depository for TT&L and order necessary supplies	
27. Order bags and agreements if office will have courier and/or night depository service	
28. Procure sample checkbooks, order/reorder stamps and supplies and other vendor materials	
29. Establish appropriate system security levels for personnel	
30. Assign teller numbers and order stamps	
31. Train tellers, platform personnel, etc. on: - Products and services - Teller procedures - Operations procedures/instructions - Price schedules - Equipment usage - Systems capabilities - Reports	
32. Arrange report distribution	
33. Coordinate insurance requirements: - Blanket Bond coverage - Liability coverage - Building and contents coverage - Plate glass, if necessary	
34. Coordinate internal signage: - Obtain FDIC door and teller window signs - FDIC plaques and certificate in place - Stamps - Tellers, Platform	

<u>Item</u>	<u>Responsible Dept./Office</u>
35. Arrange for mail service and postage matters <ul style="list-style-type: none"> - Mail supplies, forms and equipment - Obtain certified number(s) from post office - Schedules <ul style="list-style-type: none"> - Couriers - U.S. Mail pick-up and delivery - Registered, certified mail processing - Internal mail processing 	
36. Arrange for armored car service and establish cash ordering/shipping procedures	
37. Order all requisite security equipment: <ul style="list-style-type: none"> - Obtain security system - Alarm and burglary protection - Perimeter alarm, hold-up alarm - Cameras - Security guard - After-hours security - Notify police 	
38. Implement and train staff on security program and specific procedures such as hold-up, robbery, office opening/closing, fraud, etc.	
39. Supervise and complete construction	
40. Equip bank with the following: <ul style="list-style-type: none"> - Alarm and security system - Carpet - Chairs - Clocks (wall) - Desks - Desk supplies <ul style="list-style-type: none"> - calendars - pencil cups - waste baskets - drapery/venetian blinds - planters and vases - safe/vault and related equipment - telephones - Kitchen supplies <ul style="list-style-type: none"> - kitchen furniture - china - silverware - appliances - Tables 	

<u>Item</u>	<u>Responsible Dept./Office</u>
41. Arrange for telephones and service	
42. Arrange for electricity and water service	
43. Develop and supervise signage installation: <ul style="list-style-type: none"> <li data-bbox="310 573 764 600">- Outdoor site and/or building signs <li data-bbox="310 606 509 634">- Lobby signs <li data-bbox="310 640 594 667">- Banking hour signs 	
44. Arrange for maintenance services	
45. Arrange for landscape maintenance	
46. Bank Operations will establish: <ul style="list-style-type: none"> <li data-bbox="310 879 548 907">- Branch number <li data-bbox="310 913 505 940">- Cost Center <li data-bbox="310 947 542 974">- Account prefix <li data-bbox="310 980 542 1008">- Teller numbers 	

B. DE NOVO BANK PLANNING TIMELINE

January February March April May June July August September October November December

Premiums

Rate Board

Secondary Mortgages

Stamps-Teller,
Bookkeeping & Loans

Student Loan Program

Temp Facility Leasehold
Improvements

Temp Facility Equipment

Temp Facility Furnishings

Travelers Cheques

C. DE NOVO BANK OPERATIONS TIMELINE

January February March April May June July August September October November December

A/L Management
ACH Set Up
Bank Security Plans
Benefits
Board Report & Formats
Brochures-Legal Notices
Brochures-Services & Fees
Brochures-Loans
Call Report Function
Cash Station
Cash Courier
Central Balancing
Charge Card Program
Checks
Coffee Service
Compliance Signage
Coordinate Proof Function
Correspondent Accounts
CRA & Compliance
Credit Bureau Reporting
D & B
D/P Parameters -
 Products, Fees
D/P Training-New Accounts
D/P Training-Loans
D/P Training-Teller

C. DE NOVO BANK OPERATIONS TIMELINE (continued)

January February March April May June July August September October November December

D/P Courier
D/P Parameters - Loans
Employee Scheduling
Fixed Assets
Forms & Documents -
 Tellers
Forms & Documents -
 Bookkeeping
Forms & Documents -
 New Accounting
Forms & Documents -
Loans
Insurance - Bond
Insurance - Building
Internal Audix Function
Investment Accounting
Loan Ops Procedures
On-Line Wire Transfers
Payroll Accounting
Personnel
Phone System

Appendix F

MINIMUM CAPITALIZATION REQUIREMENTS OF THE ILLINOIS DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

[Note: References to “the Commissioner” or to “the Office of Banks and Real Estate” appear in this regulation because those terms have not been updated in the Official Administrative Code of the State of Illinois. For purposes of CBAI’s Guide to Organizing a New Bank in Illinois, such references can be deemed to be references to the IDFPR.]

Title 38, Part 310 of the Illinois Administrative Code:

Section 310.100 Scope and Authority

Pursuant to Section 7 of the Illinois Banking Act [205 ILCS 5/7] and Section 2-7 of the Corporate Fiduciary Act [205 ILCS 620/2-7], this Part establishes the minimum organizational capital requirements that must be met in order for proposed State banks and State banks to exercise the powers conferred by the Illinois Banking Act and for proposed Illinois trust companies and Illinois trust companies to exercise the powers conferred by the Corporate Fiduciary Act. The Commissioner shall use these minimum organizational capital requirements in reviewing the applications of proposed or existing State banks or proposed or existing Illinois trust companies in applications for: a permit to organize a State bank under Section 10 of the Illinois Banking Act [205 ILCS 5/10]; a certificate of authority under Section 2-5 of the Corporate Fiduciary Act [205 ILCS 620/2-5]; a change in the location of a State bank’s main banking premises under Section 13 of the Illinois Banking Act [205 ILCS 5/13]; a merger resulting in a State bank under Section 22 or 30 of the Illinois Banking Act [205 ILCS 5/22 or 30]; a merger or consolidation resulting in a trust company under Section 3-1 of the Corporate Fiduciary Act [205 ILCS 620/3-1]; and a conversion resulting in a State bank under Section 26 or 30 of the Illinois Banking Act [205 ILCS 5/26 or 30].

Section 310.110 Definitions

“Chicago, Illinois central business district” is generally considered as that part of the city of Chicago bounded by a line beginning with Lake Shore Drive on the east, thence south to Balbo Drive, thence west to Michigan Avenue, thence north to Harrison Street, thence west to Clinton Street, thence north to Lake Street, thence east to Wacker Drive, and thence on Wacker Drive north and east to Orleans Street, thence north to Chicago Avenue and thence east to Lake Shore Drive. However, certain locations (e.g., areas within close proximity or areas with similar market characteristics) within the city of Chicago may also require the same minimum capital requirements.

“Chicago, Illinois metropolitan area” is generally considered as the geographical area encompassing the counties of Cook, DuPage, Kane, Lake, McHenry and Will, except that part within Cook county defined in this Section as the Chicago, Illinois central business district. However, an entity may organize or locate a State bank within this geographical area by meeting the minimum organizational capital requirements for banks located outside of the Chicago, Illinois metropolitan area based upon the market characteristics of the proposed location.

“Commissioner” means the Commissioner of Banks and Real Estate or a person authorized by the Commissioner to act in the Commissioner’s stead.

Section 310.200 Minimum Organizational Capital Requirements for Banks

The minimum organizational capital requirements that must be met to exercise the powers conferred in the Illinois Banking Act are as follows:

- a) \$6,000,000 for a bank that is located in the Chicago, Illinois central business district;
- b) \$4,000,000 for a bank that is located in the Chicago, Illinois metropolitan area;
- c) \$3,000,000 for a bank that is located outside of the Chicago, Illinois central business district and metropolitan area; and
- d) \$3,500,000 for a banker's bank that is owned exclusively by other banks or bank holding companies and that has been exclusively organized to provide services to other banks, bank holding companies, and the officers, directors and employees of such institutions.

Section 310.210 When Greater Capital Requirements May Be Necessary

- a) Greater capital requirements may be required by the Commissioner if the condition and operations or the proposed scope of operations of the proposed or existing State bank require additional capital to achieve or maintain a safe and sound condition.
- b) If the Commissioner determines that the proposed or existing bank requires capital in addition to the minimum organizational capital requirements set forth in Section 310.200, the bank shall be informed by the Office of Banks and Real Estate and afforded the opportunity to amend the related application.
- c) In determining if additional capital in excess of the minimum organizational capital requirements is necessary for a proposed or existing bank, the Commissioner shall consider the size and scope of the bank's operations. The review of the proposed or existing bank's scope of operations may consist of an assessment of the percentage of investment to be made in fixed assets, the proposed or existing bank's projections for future growth, future earnings prospects, the amount of organizational expenses incurred by the proposed bank, access to readily available sources of additional capital, the capability of management, and any other factors deemed appropriate by the Commissioner.

Instances when additional capital may be required include, but are not limited to, those situations where the business plan contemplates aggressive future growth or a higher risk activity such as transactional Internet activity, or where the proposed bank incurs significant organizational expenses.

Section 310.220 Exceptions to Minimum Organizational Capital Requirements for Banks

- a) In applications involving a merger resulting in a State bank pursuant to Section 22 or Section 30 of the Illinois Banking Act, a conversion resulting in a State bank pursuant to Section 26 or 30 of the Illinois Banking Act, or a change in location of a State bank pursuant to Section 13 of the Illinois Banking Act, a lesser amount of capital than specified in Section 310.200 may be approved if the Commissioner determines that such lesser amount of capital is sufficient to enable the bank to operate in a safe and sound manner. For example, the Commissioner may authorize a lesser amount of capital than that prescribed in Section 310.200 if the applicant is an existing bank operating with capital levels below the minimum capital requirements prescribed in that Section and operating in a safe and sound manner and the application contemplates an activity that the bank will be able to conduct in a safe and sound manner at the current capital levels following approval of the application.
- b) A bank organized to assume the assets and liabilities of an existing bank or insured savings association that has failed, or is in default or in danger of default, shall have a minimum tier 1 capital, as

defined by the Federal Deposit Insurance Corporation, of 5% of total assets. The Commissioner hereby incorporates by reference the definition of tier 1 capital found in 12 CFR 325, Minimum Capital Requirements, as effective April 1, 2002 (no later amendments or editions). Copies of 12 CFR 325 are available at the Commissioner's Springfield or Chicago office. Copies may also be obtained on the Federal Deposit Insurance Corporation web site.

Appendix G

BY-LAWS

OF

(The Name of the Bank)

These sample by-laws have been compiled by the Bureau of Banks and Trust Companies of the Department of Financial and Professional Regulation ("DFPR") to provide guidance to organizers of de novo banks and to boards of directors of existing commercial banks who desire to update their existing by-laws. The DFPR recognizes that while all banks' by-laws may contain similar basic articles, each bank's by-laws may also contain articles which are unique and exclusive to it and its plan of operation. Although the DFPR has attempted to include herein articles typically found in contemporary by-laws, it is not intended that these sample by-laws be all-inclusive nor is it intended that all articles contained herein be relevant to every bank. Questions pertaining to the compliance of by-laws with the Illinois Banking Act and other related laws should be referred to legal counsel.

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ARTICLE I: OFFICES

1.1 **Registered Office.** The main banking office of _____ will be located at _____.

1.2 **Other Office.** The _____ may have such other offices and places of business within or without the State of Illinois as determined by the Board of Directors as subject to any regulatory approval.

ARTICLE II: STOCKHOLDERS

2.1 **Annual Meetings.** An annual meeting of the stockholders, commencing with the year _____, shall be held on the first _____ in the month of _____ in each year, but if a legal holiday, then on the next business day following, at 10 o'clock A.M., at which the stockholders shall elect a Board of Directors and transact such other business as may properly be brought before such meeting.

2.2 **Special Meetings.** Special meetings of the stockholders may be called by the President, by the Board of Directors or by the holders of not less than _____ % of all of the outstanding shares of the _____ entitled to vote on the matter for which the special meeting is called.

2.3 **Place of Meetings.** All meetings of the stockholders for the election of directors shall be held at the registered office of the _____ or elsewhere as the Board of Directors may designate. Meetings of stockholders for any other purpose may be held at such place as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

2.4 **Notice of Meetings.** Written or printed notice stating the place, day and hour of the meeting of stockholders and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten days nor more than forty days before the meeting (or, if different notice requirements are required by statute, in accordance with the statutory requirements), either personally or by mail, by or at the direction of the President, the Secretary or the persons calling the meeting, to each stockholder of record entitled to vote at the meeting. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail, addressed to the stockholder at his address as it appears on the records of the _____, with first class postage thereon prepaid. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken.

2.5 **Closing of Transfer Books and Fixing Record Date.** For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders, or stockholders entitled to receive payment of any dividend, or in order to make a determination of stockholders for any other proper purpose, the Board of Directors of the _____ may provide that the share transfer books shall be closed for a stated period, but not to exceed, in any case, forty days. In lieu of closing the share transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders, such date in any case to be not more than forty days and, in case of a meeting of stockholders, not less than ten days immediately preceding such meeting. If the share transfer books are not closed and no record date is fixed for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders, or stockholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the

Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of stockholders. When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this Section, such determination shall apply to any adjournment of the meeting.

2.6 Quorum. The holders of a majority of the outstanding shares of the represented in person or by proxy shall constitute a quorum for consideration of such matter at any meeting of stockholders; provided, that if less than a majority of the outstanding shares are represented at said meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of stockholders from any meeting shall not cause failure of a duly constituted quorum at that meeting.

2.7 Manner of Acting. If a quorum is present, the affirmative vote of the majority of the shares represented at the meeting and entitled to vote on a matter shall be the act of the stockholders with respect to such matter, unless the vote of a greater number or voting by classes is required by statute or the Charter or these By-laws.

2.8 Proxies. At all meetings of stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the _____ before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

2.9 Voting of Shares by Certain Holders. Shares registered in the name of another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the By-laws of the corporation may prescribe.

Shares registered in the name of a deceased person, a minor ward or a person under legal disability may be voted by his administrator, executor or court appointed guardian, either in person or by proxy, without a transfer of such shares into the name of such administrator, executor or court appointed guardian. Shares registered in the name of a trustee may be voted by him, either in person or by proxy.

Shares registered in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name, if authority so to do is contained in an appropriate order of the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to _____ shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding shares at any given time, but shares of its own stock held by it in a fiduciary capacity may be voted and shall be counted in determining the total number of outstanding shares at any given time.

Any number of stockholders may create a voting trust for the purpose of conferring upon a trustee or trustees the right to vote or otherwise represent their shares, for a period not to exceed 10 years, by entering into a written voting trust agreement, and by transferring their shares to such trustee or trustees for the purpose of the trust agreement. Any such trust agreement shall not become effective until a counterpart of the trust agreement is deposited with the _____ at its

registered office. The counterpart of the trust agreement so deposited with the _____ shall be subject to the same right of examination by a stockholder of the _____, in person or by agent or attorney, as are the books and records of the _____, and shall be subject to examination by any holder of a beneficial interest in the voting trust, either in person or by agent or attorney, at any reasonable time for any proper purpose.

2.10 Action of Stockholders Without Meeting. Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting and without a vote if all stockholders entitled to notice of the meeting give written waiver of notice of the meeting as set forth in Section 43 of the Illinois Banking Act, and if consent in writing, setting forth the action so taken, shall be signed by all stockholders who would have been entitled to vote upon the action if such meeting were held. The written waivers of notice of meeting and the written consents shall be filed with the minutes of the meetings of the stockholders and shall have the same force and effect as the unanimous vote of the stockholders at a duly called meeting of the stockholders. Any certificate or other document issued or filed reflecting or relating to such action shall state that the action of the stockholders was taken by unanimous written consent without a meeting pursuant to the authority of these By-laws and Section 43 of the Illinois Banking Act.

2.11 Voting. Voting on any question or in any election may be by voice unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

2.12 Record of Votes. At each meeting of stockholders, the secretary shall make a record of the stockholders represented in person and by proxy giving: (i) the names of the stockholders present and the number of shares of stock held by each; (ii) the names of the stockholders and the number of shares of stock represented by proxy; and (iii) the number of shares voted, in person or by proxy, for each matter considered at the stockholders meeting. The record shall be filed with the minutes of the bank.

2.13 Minutes. Minutes of all meetings of the stockholders shall be maintained by the Secretary.

ARTICLE III: DIRECTORS

3.1 General Powers. The business and affairs of the _____ shall be managed by or under the direction of a Board of Directors.

3.2 Qualifications. Directors need not be stockholders of the _____. Persons serving as directors must meet all of the qualifications and requirements of the Illinois Banking Act and any other applicable laws and regulations.

3.3 Number. The number of directors of the _____ shall be not less than (must be at least five) and not more than (cannot exceed twenty-five), as may be fixed or changed from time to time, within the minimum and maximum, by the stockholders of the _____ at any meeting of the stockholders called for the purpose of electing directors, or changing the number thereof, by the affirmative vote of at least two-thirds of the outstanding stock entitled to vote at such meeting. The number so fixed shall be the Board of Directors, regardless of vacancies, until the number of directors is thereafter changed by similar action.

3.4 Tenure. The terms of all directors expire at the next annual meeting of stockholders following their election. The term of a director elected to fill a vacancy expires at the next annual meeting of stockholders at which his predecessor's term would have expired.

3.5 Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this By-law, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Illinois, for the holding of additional regular meetings in which case no other notice need be given. Notwithstanding the following, the Board of Directors shall hold a regular meeting at least once each month, or, with the approval of the Commissioner of the Office of Banks and Real Estate, at least once each quarter.

3.6 Order of Business. At all regular meetings of the Board of Directors the order of business, unless otherwise ordered by two-thirds of the directors present, shall be:

- (a) Reading of the minutes of all Board of Directors meetings not previously read and approved.
- (b) Reading of the minutes of the committees and reports not previously read and approved.
- (c) Loans delinquent.
- (d) Loan approval.
- (e) Securities transactions.
- (f) Committee reports.
- (g) Earnings report.
- (h) Reports of officers.
- (i) Unfinished business.
- (j) New business.

3.7 Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any _____ directors.

3.8 Notice. Written notice of any special meeting of directors shall be given as follows:

By mail to each director at his business address at least _____ days prior to the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with first class postage thereon prepaid; or

By personal delivery or telegram to each director at his business address at least ___ hours prior to the meeting, or in the event such notice is given on a Saturday, Sunday or holiday, to each director at his residence address at least ___ hours prior to the meeting. If notice is given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company.

3.9 Quorum. A majority of the number of directors fixed by the stockholders shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. If less than a majority of such number of directors is present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

3.10 Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number for a particular action is required by statute, the Charter or these By-laws.

Members of the Board of Directors or of any committee of the Board of Directors may participate in and act at any meeting of such Board of Directors or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can communicate with each other. Participation in such a meeting shall constitute attendance and presence in person at the meeting of the person or persons so participating. Minutes of each such meeting shall be kept and become part of the official corporate records.

3.11 Vacancies. Any vacancy occurring on the Board of Directors and any directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual meeting or at a special meeting of stockholders called for that purpose, provided, however, vacancies arising between meetings of the stockholders may be filled by appointment of the Board of Directors. A director appointed by the Board of Directors to fill a vacancy shall serve until the next annual meeting of stockholders at which directors are to be elected. At no time may directors appointed pursuant to this Section 3.11 exceed 33a% of the total membership of the Board of Directors.

3.12 Compensation. By resolution of the Board of Directors, the directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at meetings or a stated salary as directors. These payments shall not preclude any director from serving the _____ in any other capacity and receiving compensation therefor.

3.13 Presumption of Assent. A director of the _____ who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless he files written dissent to such action with the person acting as the secretary of the meeting before the adjournment of the meeting or forwards such dissent by registered mail to the Secretary of the _____ immediately after the adjournment of the meeting. Such right to dissent does not apply to a director who voted in favor of such action.

3.14 Removal. One or more of the directors of the _____ may be removed, with cause, at a meeting of stockholders by the affirmative vote of the holders of a majority of the outstanding shares then entitled to vote at an election of directors. However, no director shall be removed at a meeting of stockholders unless the notice of such meeting shall state that a purpose of the meeting is to vote upon the removal of one or more directors named in the notice. Only the named director or directors may be removed at such meeting. If a director has been elected by a class or series of shares, he may be removed only by the stockholders of that class or series.

3.15 Committees. The Board of Directors shall appoint committees to act and review matters assigned on its behalf to such committees by the Board of Directors, subject to final approval at the next regular Board of Directors meeting. Among those committees shall be the Executive Committee, the Audit Committee, the Investment Committee, the Loan Committee, the Asset Liability Management Committee, the Personnel Committee, and Compensation Committee.

(a) Meetings of all committees shall be held on the call of the Chairman of the committee as may be required to conduct its business. At least ___ days notice of all such meetings shall be given in a form determined by the Chairman.

3.16 Interest in Transactions. If a transaction is fair to the bank at the time it is authorized, approved or ratified, the fact that a director of the bank is directly or indirectly a party to the

transaction is not grounds for invalidating the transaction if the transaction conforms to all laws, rules and regulations applicable to insider transactions. Any director of the bank may directly or indirectly be a party to any transaction of the bank, provided that the material facts of the transaction and the director's interest or relationship were disclosed or known to the Board of Directors. The presence of the director who is directly or indirectly a party to the transaction may be counted in determining whether a quorum is present but may not be counted when the Board of Directors takes action on the transaction.

3.17 Action of Directors Without Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting and without a vote if all directors give written waiver of notice of the meeting as set forth in Section 43 of the Illinois Banking Act, and if consent in writing, setting forth the action so taken, shall be signed by all directors. The written waivers of notice of meeting and the written consents shall be filed with the minutes of the meetings of the Board of Directors and shall have the same force and effect as the unanimous vote of the directors at a duly called meeting of the Board of Directors. Any certificate or other document issued or filed reflecting or relating to such action shall state that the action of the Board of Directors was taken by unanimous written consent without a meeting pursuant to the authority of these By-laws and Section 43 of the Illinois Banking Act.

ARTICLE IV: OFFICERS

4.1 Number. A member of the Board of Directors shall be elected President. The Board of Directors may elect other officers including, but not limited to, a Chairman of the Board of Directors, one or more Senior Vice Presidents, one or more Vice Presidents, a Cashier, a Treasurer and a Secretary. The duties of such officers shall be those usually pertaining to their respective offices, or as may be designated by the Board of Directors.

The Board of Directors may appoint other officers as necessary who shall have such authority and shall perform such duties as from time to time may be prescribed by the Board of Directors, including, without limitation, assistant or deputy officers. Any two or more offices may be held by the same person except the offices of President and Secretary. No person shall be eligible to hold the office of Chairman of the Board of Directors or President who is not a director, but none of the other officers need be directors.

4.2 Election and Term of Office. The officers of the _____ shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of stockholders or as soon thereafter as practicable. Vacancies may be filled or new offices filled at any meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected or until his death or until he shall resign or shall have been removed in the manner hereinafter provided. Any officer may resign at any time by giving notice to the Board of Directors or to the President or Secretary.

4.3 Removal. Officers may be removed only by the Board of Directors whenever in its judgment the best interest of the _____ would be served thereby. Any removal shall be without prejudice to the contract rights, if any, of the person so removed.

4.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

4.5 Bonding. All officers and employees of the _____ who shall be responsible for any moneys, funds or valuables of the _____ shall give bond, or be covered by a blanket

bond, in such penal sum and with such security as shall be approved by the Board of Directors, conditioned for the faithful and honest discharge of their duties as such officers or employees and that they will faithfully apply and account for all such moneys, funds and valuables and deliver the same on proper demand to the order of the Board of Directors of the _____, or to the person or persons authorized to receive the same.

4.6 Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all the meetings of the stockholders and of the Board of Directors. In the absence of the Chairman of the Board of Directors, the Board of Directors shall designate another one of its number to preside. In case of the death or disability of the Chairman of the Board of Directors, the Board of Directors shall appoint one of its other members to discharge the duties of the Chairman of the Board of Directors until his successor shall have been elected by the Board of Directors.

4.7 President. The President shall be the chief executive officer of the and shall in general supervise and control all of the business and affairs of the _____. He may sign, with the Secretary or any other proper officer of the _____ thereunto authorized by the Board of Directors, certificates for shares of the _____, any deeds, mortgages, bonds, contracts or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-laws to some other officer or agent of the _____ or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

4.8 Senior Vice Presidents and Other Vice Presidents. Each Vice President shall assist the President in the discharge of his duties as the President may direct and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

4.9 Cashier. *[2013 Revision: an officer with the title of "Cashier" is not required for either state banks or national banks; the duties formerly associated with that title can be distributed to one or more other officers, or, the bank may choose at its discretion to maintain the title and office of "cashier."]* The Cashier shall be responsible for all assets of the bank and shall keep proper records in respect thereto. (S)He shall prepare a report concerning such assets for examination by the Board of Directors whenever requested, and shall give such information to the Board of Directors as may be from time to time required regarding such assets. (S)He shall also (a) have charge and custody of and be responsible for all funds and securities for the _____; receive and give receipts for moneys due and payable to the _____ from any source whatsoever and deposit all such moneys in the name of the _____ in such depositories as shall be selected by the Board of Directors; and (b) in general, perform other duties as from time to time may be assigned to him by the Board of Directors or the President.

4.10 Secretary. The Secretary shall: (a) keep the minutes of the stockholders' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-laws or as required by law; (c) be custodian of the corporate records and the seal of the _____ and see that the seal of the _____ is affixed to all certificates for shares prior to the issue thereof and to all documents, the execution of which on behalf of the _____ under its seal is duly authorized in accordance with the provisions of these By-laws; (d) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (e) sign, with the President, certificates for shares of the _____; (f) have general charge of the share transfer books of the _____; and (g) in general, perform all duties incident to the office of Secretary and all other duties as from time to time may be assigned to him by the Board of Directors or the President.

4.11 Assistant Officers. Any assistant officers appointed by the Board of Directors shall have authority to perform such duties as from time to time may be assigned to them by the Board of Directors or the President.

4.12 Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors, and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the _____.

ARTICLE V: CONTRACTS, LOANS, CHECKS AND DEPOSITS

5.1 Contracts. Officers as designated by the Board of Directors or such other persons as may be authorized by the Board of Directors shall be authorized in the name of the _____ to guarantee signatures, certify resolutions and/or agreements, sign or endorse checks and drafts, endorse notes, sign orders for the deposit of securities and for the withdrawal of securities deposited with the bank correspondents of the _____, execute assignments and releases of assignments, sign or countersign all other contracts and obligations (including notes and letters of credit) in the ordinary course of the business of the _____.

5.2 Votes. The vote of the _____ as stockholder in any corporation in which it may hold stock, or upon any securities carrying voting rights which it shall have the right to vote in its individual capacity, shall be cast at any stockholders' meeting by either the President, Chairman of the Board of Directors or any Senior Vice-President in person, or by some person or persons authorized by written proxy signed by one of said officers.

ARTICLE VI: SHARES, CERTIFICATES FOR SHARES AND TRANSFER OF SHARES

6.1 Regulation. The Board of Directors may make such rules and regulations as it may deem expedient concerning the issuance, transfer and registration of certificates for shares of the _____, including the appointment of transfer agents and registrars.

6.2 Certificates of Shares. The shares of the _____ shall be represented by certificates which shall be signed by the President and by the Secretary or an Assistant Secretary, shall be numbered serially for each class of shares, or series thereof, and entered into the books of the _____ as they are issued and may be sealed, if the _____ has a corporate seal, with the seal, or a facsimile of the seal, of the _____. If the _____ shall be authorized to issue shares of more than one class, every certificate representing shares issued by the _____ shall set forth upon the face or back of the certificate a full or summary statement of all of the designations, preferences, qualifications, limitations, restrictions and special or relative rights of the shares of each class authorized to be issued and, if the _____ shall be authorized to issue any preferred or special class in series, the variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series. This statement may be omitted from the certificate if it shall be set forth upon the face or back of the certificate that such statement, in full, will be furnished by the _____ to any stockholder upon request and without charge.

Each certificate representing shares shall also state the name of the _____, the date of issue, that the _____ is organized under the laws of the State of Illinois, the name of the person to whom it is issued, the number and class of shares and the designation of the series, if any, which the certificate represents and the par value of each share represented by the certificate or a

statement. Each certificate shall be otherwise in such form as may be prescribed by the Board of Directors.

The name and address of each stockholder, the number and class of shares held and the date on which the shares were issued shall be entered on the books of the _____. The person in whose name shares stand on the books of the _____ shall be deemed the owner thereof for all purposes as regards the _____.

6.3 Cancellation of Certificates. All certificates surrendered to the for transfer shall be cancelled and no new certificates shall be issued in lieu thereof until the former certificate for a like number of shares shall have been surrendered and cancelled, except as herein provided with respect to lost, stolen or destroyed certificates.

6.4 Lost, Stolen or Destroyed Certificates. Any stockholder claiming that his certificate for shares is lost, stolen or destroyed may make an affidavit or affirmation of that fact and lodge the same with the Secretary of the _____, accompanied by a signed application for a new certificate. Thereupon, and upon the giving of a satisfactory bond of indemnity to the not exceeding in an amount double the value of the shares represented by the certificate, such value to be determined by the President of the _____, a new certificate may be issued representing the same number, class and series of shares as were represented by the certificate alleged to be lost, stolen or destroyed.

6.5 Transfer of Shares. Shares of the _____ shall be transferable on the books of the _____ by the holder thereof, in person or by his duly authorized attorney, who shall furnish proper evidence of his authority to transfer, upon the surrender and cancellation of a certificate or certificates for a like number of shares. Upon presentation and surrender of a certificate for shares properly endorsed and payment of all required taxes, if any, the transferee shall be entitled to a new certificate or certificates in lieu thereof. As against the _____, a transfer of shares can be made only on the books of the _____ and in the manner hereinabove provided, and the _____ shall be entitled to treat the holder of record of any share as the owner thereof and shall be not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided by the statutes of the State of Illinois.

ARTICLE VII: SEAL

7.1 Form of Seal. The Board of Directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the _____ and the words "Corporate Seal" and "Illinois."

ARTICLE VIII: INDEMNIFICATION

8.1 Legal Action. The _____ may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the _____) by reason of the fact that such person is or was a director, officer, employee or agent of the _____ against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the _____, and, with respect to any criminal action or proceeding, had

no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment or settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the _____, and with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The _____ may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the _____ to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the _____, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the _____ and except that no indemnification shall be made with respect to any claim, issue or matter as to which such person has been adjudged to have been liable to the _____ unless and only to the extent that the court in which such action or suit was brought shall determine upon application that despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

8.2 Successful Defense To the extent that a director, officer, employee or agent has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 8.1 or in defense of any claim, issue or matter therein, such person may be indemnified against expenses actually and reasonably incurred by such person in connection therewith.

8.3 Proper Determination. Any indemnification under Sections 8.1 and 8.2 shall be made by the _____ only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 8.1 and 8.2. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) by independent legal counsel in a written opinion, or (c) by the stockholders.

8.4 Indemnification Not Exclusive. The indemnification provided by or granted under this article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

8.5 Insurance. The _____ shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the _____, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the would have the power to indemnify such person against such liability under the provisions of these sections.

8.6 Report to Stockholders. If the _____ has paid indemnity to a director, officer, employee or agent, the _____ shall report the indemnification to the stockholders with or before the notice of the next stockholders' meeting.

8.7 Continuation of Indemnification. The indemnification provided by or granted under this article shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors

and administrators of that person.

ARTICLE IX: BANKING HOURS

9.1 Determination of Hours. The _____ shall be open for business during such days of the year and during such hours of the day as the Board of Directors shall determine and in accordance with the Illinois Promissory Note and Bank Holiday Act.

ARTICLE X: AMENDMENTS.

10.1 Authority of Board of Directors. Unless prohibited by any law, rule, or regulation, the Board of Directors shall have the power to amend By-laws at any regular or special meeting of the Board of Directors.