FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

In the Matter of	)	CONSENT ORDER
GRAND RIVERS COMMUNITY BANK GRAND CHAIN, ILLINOIS	)	FDIC-16-0104b
(STATE CHARTERED INSURED NON-MEMBER BANK)	)	

Grand Rivers Community Bank, Grand Chain, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with a representative of the Federal Deposit Insurance Corporation ("FDIC") dated October 5, 2016, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to capital, asset quality, management, earnings, liquidity and sensitivity to market risk, the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC.

The FDIC considered the matter and decided to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC HEREBY ORDERS that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

MANAGEMENT

1. (a) While this ORDER is in effect, the Bank shall have and retain qualified Management, including a President. Management shall be provided the necessary written authority to implement the provisions of this ORDER. The qualifications of management shall be assessed on its ability to:

(i) Comply with the requirements of this ORDER;

(ii) Operate the Bank in a safe and sound manner;

(iii) Comply with applicable laws, rules, and regulations; and

(iv) Restore all aspects of the Bank to a safe and sound condition, including capital adequacy, asset quality, management effectiveness, earnings, liquidity, and sensitivity to market risk.

(b) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the written approval of the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director"). For purposes of this ORDER, "senior executive officer" is defined in section 303.101 of the Code of Federal Regulations (the "Code"), 12 CFR § 303.101.

MANAGEMENT PLAN

2. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

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

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

(i) As appropriate, the identification of both the type and number of director and officer positions needed to properly manage and supervise the affairs of the Bank;

(ii) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(iii) Evaluation of all Bank directors, officers and staff members to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank's established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

(iv) A comprehensive review of, and where appropriate, modification of job duties and functions;

(v) Development of a management succession plan;

(vi) Evaluation of all Bank officer's compensation, including salaries, director fees, and other benefits; and

(vii) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by this paragraph of this ORDER.

(d) Within thirty (30) days after receipt of the Management Study, the Bank shall formulate a plan to implement the recommendations of the Management Study.

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

BOARD OF DIRECTORS PARTICIPATION

3. (a) While this ORDER is in effect, the Bank's board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less

frequently than monthly at which, at a minimum, the following areas shall be reviewed or approved: reports of income and expenses; new, overdue, renewal, insider, charged off, and recovered loans; investment activity; adoption or modification of operating policies; individual committee reports; audit reports; internal control reviews including management's responses; reconciliation of general ledger accounts; and compliance with this ORDER. Board of directors' minutes shall document these reviews and approvals, including the names of any dissenting directors.

(b) Within thirty (30) days from the effective date of this ORDER, the Bank's board of directors shall develop, adopt, and implement a program that will provide for monitoring of the Bank's compliance with this ORDER.

CAPITAL

4. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall have and maintain its leverage ratio at a minimum of nine percent (9.0%) and its total capital ratio at a minimum of thirteen percent (13.0%). For purposes of this ORDER, leverage ratio and total capital ratio shall be calculated in accordance with Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324.

(b) The leverage ratio and the total capital ratio to be maintained during the life of this ORDER, pursuant to this paragraph, shall be in addition to a fully-funded allowance for loan and lease losses.

(c) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(e) Should the Bank be unable to reach the required capital levels within the time frames specified in subparagraph (a) above, or be unable to maintain those levels, then within thirty (30) days of receipt of written direction from the Regional Director, the Bank shall develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of this paragraph. The plan required by this paragraph shall be acceptable to the Regional Director.

DIVIDEND RESTRICTION

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

PROHIBITION OF ADDITIONAL LOANS TO CLASSIFIED BORROWERS

6. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged off the books of the Bank or classified "Loss" during the most recent Joint Examination conducted by examiners from the FDIC and the State of Illinois Department of Financial and Professional Regulation Division of Banking, dated January 18, 2016, ("ROE"), or at any subsequent examinations or visitations, so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit was classified "Substandard", "Doubtful", or was listed for Special Mention within the ROE, or at any subsequent examinations or visitations and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be signed by each director, and incorporated in the minutes of the applicable board of directors' meeting. A copy of the statement shall be placed in the appropriate loan file.

SPECIAL MENTION

7. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall address all deficiencies in the loans listed for "Special Mention" within the ROE.

(b) While this ORDER is in effect, within sixty (60) days of the receipt of any examinations or visitation reports, the Bank shall correct all deficiencies in the loans listed for "Special Mention".

REDUCTION OF DELINQUENCIES AND CLASSIFIED ASSETS

8. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall adopt, implement, and adhere to, a written plan to reduce the Bank's risk position in each asset in excess of $100,000 which is more than ninety (90) days

delinquent or adversely classified within the ROE. The plan shall include, but not be limited to, provisions which:

(i) Prohibit an extension of credit for the payment of interest, unless the board of directors provides, in writing, a detailed explanation of why the extension is in the best interest of the Bank;

(ii) Provide for review of the current financial condition of each delinquent or classified borrower, including a review of borrower cash flow and collateral value, source of repayment, repayment ability and alternative repayment sources;

(iii) Delineate areas of responsibility for loan officers;

(iv) Establish dollar levels to which the Bank shall reduce delinquencies and classified assets within six (6) and twelve (12) months from the effective date of this ORDER; and

(v) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors.

(b) As used in this paragraph, “reduce” means to: (1) collect; (2) charge off; (3) sell; or (4) improve the quality of such assets so as to warrant removal of any adverse classification by the Regional Director.

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

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

CREDIT UNDERWRITING

9. (a) Within thirty (30) days from the effective date of this ORDER, the Bank shall adopt, implement and adhere to prudent credit underwriting practices that, at a minimum:

(i) Are commensurate with the types of loans that the Bank makes;

(ii) Consider the terms and conditions, appropriate for the purpose of the loan;

(iii) Provide for consideration, prior to credit commitment, of the borrower’s overall financial condition and resources, the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower’s character and willingness to repay as agreed;

(iv) Ensures the collection and maintenance of sufficient loan documentation that enables the Bank to make informed lending decisions and to assess risk, as necessary, on an ongoing basis;

(v) Establish a system of independent, ongoing credit review and appropriate communication with management and to the board of directors; and

(vi) Ensure loans are approved within the lending authority of each individual loan officer and loans are approved by the board of directors as required, per the Bank’s Loan Policy.

CONCENTRATIONS OF CREDIT

10. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement and adhere to a written plan to reduce and manage each of the concentrations of credit identified within the ROE in a safe and sound manner. At a minimum, the plan must provide for written procedures which conform in all respects with the standards for safety and soundness set forth within 12 C.F.R. Part 364, Appendix A (with a particular focus on asset quality and asset growth), and which provides for the ongoing measurement and monitoring of the concentrations of credit, performance of portfolio stress testing analysis to assess the impact of changing economic conditions, and the setting of limits on concentrations commensurate with the Bank's capital position, safe and sound banking practices, and the overall risk profile of the Bank.

(b) The plan required by this paragraph shall be acceptable to the Regional Director as determined at subsequent examinations and visitations.

(c) The plan required by this paragraph shall be modified, as appropriate, to address any comments and/or concerns identified within subsequent examinations and visitations.

ALLOWANCE FOR LOAN AND LEASE LOSSES ("ALLL")

11. (a) From the effective date of this ORDER, and prior to the submission of all Reports of Condition and Income required by the FDIC, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and thereafter maintain and accurately report the same. The minutes of the board of directors meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the board of directors shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC.

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

LOAN DOCUMENTATION EXCEPTIONS

12. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall eliminate or correct the data and collateral documentation exceptions identified within the ROE.

(b) Throughout the life of this ORDER, the Bank shall correct all data and collateral documentation exceptions identified in subsequent examinations and visitations.

LOAN COMMITTEE

13. Within thirty (30) days of the effective date of this ORDER, the Bank, through its board of directors, shall appoint a loan committee comprised of board of directors members which shall meet, at a minimum, on a monthly basis. The loan committee shall, at a minimum, perform the following functions:

(a) Evaluate, grant, and/or approve loans in accordance with the Bank's loan policy, as amended, to comply with this ORDER. The loan committee shall provide a thorough written explanation of any deviations from the loan policy, which statement shall address how said exceptions are in the Bank's best interest and which shall be reflected in the minutes of the corresponding committee meeting.

(b) Review and monitor the status of repayment and collection of past due and maturing loans, as well as all other loans that were classified within the ROE, or at any subsequent examinations or visitations.

(c) Review and give prior written approval for all appropriate advances, renewals, or extensions of credit to any insider of the Bank or the insider’s related interests. For purposes of this ORDER the term “insider” and "related interest" are defined pursuant to sections 215.2(h) and 215.2(n) of the Code, 12 C.F.R. §§ 215.2(h) and 215.2(n), respectively.

(d) Maintain written minutes of the committee meetings, which shall include a record of the review and status of the aforementioned loans, including the names of any dissenting committee members.

LOAN POLICY

14. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a Loan Policy.

(b) The Loan Policy required by this paragraph, which shall be commensurate with the type of lending approved by the Bank’s board of directors, at a minimum, shall include provisions:

(i) Requiring that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, have a clearly defined and stated purpose; and have a predetermined and realistic repayment source and schedule;

(ii) Incorporating collateral valuation requirements, including:

(A) maximum loan-to-collateral-value limitations;

(B) requirements for periodic updating of valuations; and

(C) a requirement that the source of valuations be documented in Bank records;

(iii) Establishing review and monitoring procedures to ensure that all lending personnel are adhering to established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established policy;

(iv) Requiring the establishment and maintenance of an effective loan review and grading system and internal loan watch list; and

(v) Correcting the loan underwriting and credit administration deficiencies noted in the ROE and subsequent examinations or visitations.

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

LOAN REVIEW AND GRADING SYSTEM

15. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to comprehensive loan grading and review procedures. The procedures shall require that such loan grading and review will be performed by a qualified individual. The loan review shall, at a minimum:

(i) Require periodic confirmation of the accuracy and completeness of the watch list and all risk grades assigned by the Bank’s loan officers;

(ii) Identify loans or relationships that warrant special attention of management;

(iii) Identify violations of law, rules, and/or regulations, as well as credit and collateral documentation exceptions and track corrective measures;

(iv) Review the bank’s application of Financial Accounting Standards Board Accounting Standards Codification FASB ASC Subtopic

310-10 (which now supersedes prior FAS 114 guidelines); and

(v) Identify loans not in conformance with the Bank's Loan Policy.

(b) The procedures required by this paragraph shall be acceptable to the Regional Director as determined at subsequent examinations and visitations.

CORRECTION OF VIOLATIONS

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

(b) Throughout the life of this ORDER, the Bank shall correct all violations of law, rule, and regulation identified in subsequent examinations and visitations.

PROFIT PLAN AND BUDGET

17. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2016 and

2017. The plans required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

(i) Realistic and comprehensive budgets;

(ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;

(iii) Identification of major areas in, and means by which, earnings will be improved; and

(iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly board of directors' meeting following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) Copies of the plans and budgets required by this paragraph shall be acceptable to the Regional Director.

STRATEGIC PLAN

18. (a) Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, incorporate the Bank's projected capital needs and its plans for maintaining adequate capital, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address, at a minimum:

(i) Strategies for pricing policies and asset/liability management;

(ii) Forecasts for maintaining a sound funds management position; and

(iii) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings.

(c) The Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting.

(d) Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the strategic plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(e) The strategic plan required by this ORDER shall be revised thirty (30) days prior to the end of each calendar year for which this ORDER is in effect.

(f) The strategic plan and any revisions thereto shall be acceptable to the Regional Director.

GROWTH RESTRICTION

19. During the life of this ORDER, the Bank shall not increase its total assets by more than three (3.0%) percent during any consecutive three-month period without providing, at least thirty (30) days prior to its implementation, a growth plan to the Regional Director. Such growth plan shall include the funding source to support the projected growth, as well as the anticipated use of funds. This growth plan shall not be implemented without the prior written consent of the Regional Director. For the purpose of this paragraph, "total assets" shall be defined as in the Federal Financial Institutions Examination Council's Instructions for the Consolidated Reports of Condition and Income.

INTERNAL AND EXTERNAL AUDITS

20. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to an internal audit system that is appropriate to its size, as well as the nature and scope of its activities. At a minimum, the internal audit system required by this ORDER shall incorporate the provisions contained within the standards for safety and soundness as set forth within 12 C.F.R. Part 364, Appendix A, II.B. – Internal Audit System.

(b) Within ninety (90) days from the effective date of this ORDER, the Bank's board of directors will engage an independent third-party to complete annual audits of the Bank's financial statements, beginning with the period of year-end 2016.

(c) Throughout the life of this ORDER, the Bank shall engage an independent third-party to complete an annual audit of the Bank's financial statements.

INTERNAL ROUTINES

21. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall develop, adopt, implement and adhere to an effective system of internal controls that provides for, at a minimum:

(i) An organizational structure that establishes clear lines of authority and responsibility for monitoring adherence to established policies;

(ii) Effective risk assessment;

(iii) Timely and accurate financial, operational, and regulatory reports;

(iv) Adequate procedures to safeguard and manage assets; and

(v) Compliance with applicable laws, rules, and regulations.

(b) The system of internal controls required by this paragraph shall be acceptable to the Regional Director.

LIQUIDITY

22. (a) Within ninety (90) days of the effective date of this ORDER, the Bank shall develop, adopt, implement, and adhere to a written contingency funding plan ("Liquidity Plan"). The Liquidity Plan shall identify sources of liquid assets to meet the Bank's contingency funding needs over time horizons of one month, two months, and three months. At a minimum, the Liquidity Plan shall be prepared in conformance with the Liquidity Risk Management Guidance found in FIL-84-2008 and include provisions to fully address the liquidity issues identified in the ROE. In addition, the Liquidity Plan shall require the Bank to establish and/or maintain an account relationship with the Federal Reserve Bank of St. Louis to exchange and settle payment transactions through a clearing account balance.

(b) The Liquidity Plan and any revisions thereto shall be acceptable to the Regional Director.

SENSITIVITY TO MARKET RISK

23. (a) Within ninety (90) days from the effective date of this ORDER, the Bank shall formulate, adopt, implement and adhere to a revised Interest Rate Risk plan which shall fully address the comments set forth within the ROE, as well any comments contained within any subsequent examinations or visitations, and shall provide for the regular preparation of interest rate sensitivity reports. The sensitivity reports shall document all significant assumptions made, which shall be tailored to the Bank’s risk characteristics. The procedures shall comply with the Financial Institution Management of Interest Rate Risk found in FIL-2-2010, dated January 20, 2010, which references the 1996 Joint Statement of Policy on Interest Rate Risk, Supervisory Guidance – Interest Rate Risk Management; Frequently Asked Questions found in FIL-2-2012, dated January 12, 2012; and the Joint Supervisory Statement on Investment Securities and End-User Derivative Activities found in FIL-45-98, dated April 23, 1998.

(b) The plan required by this paragraph shall be acceptable to the Regional Director as determined at subsequent examinations or visitations.

NOTIFICATION TO SHAREHOLDERS

24. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

PROGRESS REPORTS

25. Within thirty (30) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated: ______October 13________________, 2016.

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