

STATE OF ILLINOIS
OFFICE OF BANKS AND REAL ESTATE
BUREAU OF BANKS AND TRUST COMPANIES

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In the Matter of)	
)	
)	MODIFICATION OF
)	ORDER TO CEASE AND DESIST
HAWTHORN BANK)	
MUNDELEIN, ILLINOIS)	
)	OBRE No. 2002-BBTC-58-b)
An Illinois State Chartered Bank)	
_____)	

The Order to Cease and Desist issued by the Commissioner of Banks and Real Estate (“Commissioner”) against Hawthorn Bank, Mundelein, Illinois (“Bank”) on October 3, 2002 is hereby modified as follows:

- A. Paragraph 3(a) of the ORDER is eliminated.

- B. Paragraph 3(b) of the ORDER is eliminated.

- C. Paragraph 3(c) of the ORDER is modified by deleting the present paragraph and inserting the following paragraph 3(c):
 - 3. (c) By March 7, 2003, the Bank shall develop a written analysis and assessment of the Bank’s management and staffing needs (“Management Plan”) for the purpose of maintaining qualified management for the Bank.

D. Paragraph 7(a) of the ORDER is modified by deleting the present paragraph and inserting the following paragraph 7(a):

7. (a) By March 7, 2003, the Bank shall formulate and adopt a realistic, comprehensive strategic plan for the 2003 calendar year, (the "Strategic Plan"). The Strategic Plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components. The written Strategic Plan shall address, at a minimum, objectives for asset growth, asset mix, pricing policies, earnings performance, capital adequacy, funding growth, funding mix, non-core funding dependence, interest rate exposure, and staffing needs.

E. Paragraph 8(a) of the ORDER is modified by deleting the present paragraph and inserting the following paragraph 8(a):

8. (a) By March 7, 2003, the Bank shall formulate and submit to the Commissioner for review and comment a written profit plan and a realistic, comprehensive budget for all categories of income and expense for the next 2 calendar years. The plan and budget required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to control 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.

- F. Paragraph 11 of the ORDER is eliminated.

- G. Paragraph 16 is modified by deleting the present paragraph and inserting the following paragraph 16:

- 16. Within 30 days from the end of each calendar quarter beginning with the first calendar quarter in the year 2003, the Bank shall furnish to the Commissioner 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. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Commissioner has, in writing, released the Bank from making further reports.

The provisions of this MODIFICATION OF ORDER TO CEASE AND DESIST (“MODIFICATION”) shall be binding on the Bank, its successors and assigns. Except as specifically modified herein, all of the terms and conditions of the ORDER issued against the Bank on October 3, 2002 shall remain in full force and effect.

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

PURSUANT TO DELEGATED AUTHORITY

DATED THIS 6TH DAY OF FEBRUARY, 2003

Scott D. Clarke
Assistant Commissioner
Bureau of Banks and Trust Companies
State of Illinois
Office of Banks and Real Estate