APPLICATION TO THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BY

WINTRUST FINANCIAL CORPORATION
TO ACQUIRE 100% OWNERSHIP OF
RUSH-OAK CORPORATION

PUBLIC INFORMATION SECTION

PROPOSED TRANSACTION - OVERVIEW

Wintrust Financial Corporation, ("Wintrust" or "Applicant"), a financial holding company organized under the laws of the State of Illinois, hereby requests approval from the Federal Reserve Board to acquire 100% of the issued and outstanding stock of Rush-Oak Corporation ("ROC"). ROC, a bank holding company organized under the laws of the State of Delaware and headquartered in Chicago, IL, shall by the proposed closing date own 100% of the issued and outstanding stock of Oak Bank, an Illinois-chartered bank ("Oak") (see Question 1.e. for further detail). A copy of the Agreement and Plan of Merger by and among Wintrust Financial Corporation, WTFC Gold Merger Sub LLC, and ROC, dated February 19, 2019 (the "Agreement"), is provided as part of the full application as **CONFIDENTIAL Exhibit 1.**

Wintrust is the parent company of fifteen insured bank subsidiaries, one national trust company, a broker/dealer, an asset management company, and various finance companies. The majority of Wintrust's banking subsidiaries began as *de novo* operations and operate in the Chicago-Elgin-Naperville MSA. Currently, Wintrust operates more than 160 branch locations throughout the Chicagoland and Southeastern Wisconsin areas.

This application is submitted in accordance with Section 225.15 of Regulation Y of the Bank Holding Company Act of 1956, as amended (12 USC 1842). The following pages provide the detail of the requirements of Section 225.15 of Regulation Y and Wintrust's responses thereto.

As required, a public notice describing the proposed transaction will be published in the *Chicago Tribune*. A copy of the notice is included with this application as **Exhibit 2.**

Wintrust Financial Corporation
Supplemental Information to Form FR Y-3 for a Proposed Transaction
Involving Rush-Oak Corporation

FORM FR Y-3 Requested Information – Proposed Transaction

1. **Provide the following with respect to the Bank/Bank Holding Company to be acquired:**
   a. **Total number of shares of each class of stock outstanding;**

The authorized capital stock of ROC consists of the following:

Common Stock: 85,000 shares authorized ($10.00 par value per share) of which 43,696 shares are currently issued and outstanding.

b. **Number of shares of each class now owned or under option by Applicant, by subsidiaries of Applicant, by principals of Applicant, by trustees for the benefit of Applicant, its subsidiaries, shareholders, and employees as a class, or by an escrow arrangement instituted by Applicant;**

None. Wintrust does not currently own, nor have under option, any of the shares of ROC. This response includes the Applicant, subsidiaries, principals, trusts, and escrow arrangements for the benefit of Applicant.

c. **Number of shares of each class to be acquired by cash purchase; the amount to be paid, per share and in total; and the source of funds to be applied to the purchase;**

All of the issued and outstanding common shares will be acquired by cash purchase. The aggregate consideration to be paid is $56,000,000, minus: (a) ROC's indebtedness, (b) those amounts Wintrust shall provide for the redemption of Oak Bank shares held by minority shareholders, and (c) any purchase price adjustments as described in Section 6.9 of the Agreement (the "Merger Consideration"). Wintrust estimates the Merger Consideration paid to ROC shareholders will be approximately $46,000.000.

Source of funds for the cash consideration to be paid: Wintrust currently has sufficient cash on hand, or existing available lines of credit, in excess of the amount required for the proposed transaction and will therefore be able to fund the cash portion of the transaction internally.

d. **Number of shares of each class to be acquired by exchange of stock, the exchange ratio, and the number and description of each class of Applicant's shares to be exchanged;**

As described in the response to item "1.c" above, the aggregate Merger Consideration of $56,000,000 consists solely of cash. No shares of Wintrust will be exchanged for shares of ROC.

e. **A brief description of any unusual contractual terms.**

*As provided for in Form FR Y-3, the Applicant is attaching a copy of the Agreement and Plan of Merger by and among Wintrust Financial Corporation, WTFC Gold Merger Sub LLC, and ROC, dated February 19, 2019 (<u>CONFIDENTIAL</u> **Exhibit 1**).*

- *The Agreement includes minimum net worth and loan loss reserve requirements that are customary in transactions of this type. Additional details outlining the determination of the minimum net worth and loan loss reserve may be found in Section 6.9 of the Agreement.*
- *At the time of the Agreement signing, ROC owned approximately 84.345% of Oak. As described in Section 4.7 of the Agreement, the conditions precedent to the consummation of the merger require ROC to cause the board of directors of Oak to complete a Bank Stock Redemption (as defined in the Agreement), after which Oak shall become a direct wholly owned subsidiary of ROC. Wintrust shall provide funds for the redemption (see previous response to Question 1.c.).*
- *Section 9.2 of the Agreement contains provisions describing the circumstances under which the Agreement may be terminated; each of which are typical of transactions of this type.*

2. If the proposed transaction is an acquisition of assets and assumption of liabilities, indicate the total price and the source of funds that Applicant intends to use for the proposed purchase, and discuss the effect of the transaction on the operations of the Applicant.

Not applicable. The proposed transaction is not a purchase of assets and the assumption of liabilities.

3. If the proposed transaction involves the acquisition of an unaffiliated banking operation or otherwise represents a change in ownership of established banking operations, describe briefly the due diligence review conducted on the target operations by Applicant. Indicate the scope of and resources committed to the review, explain any significant adverse findings, and describe the corrective action(s) to be taken to address those weaknesses.

The response to this item is attached as <u>**CONFIDENTIAL**</u> ***Exhibit 3.***

4. For applications filed pursuant to section 3(a)(1) of the BHC Act, if the proposed transaction would result in an organization other than a shell one-bank holding company, submit a pro forma organization chart showing Applicant's percentage of ownership of all banks and companies, both domestic and foreign, in which it directly or indirectly will own or control more than 5 percent of the outstanding voting shares.

Not applicable.

<u>**FORM FR Y-3 Requested Information – Financial and Managerial Information**</u>

5. a. For Applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction, provide a parent company balance sheet as of the end of the most recent fiscal quarter, showing separately each principal group of assets, liabilities, and capital

accounts; debit and credit adjustments (explained by footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet;

Not applicable.

b. For an Applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction, provide parent company and consolidated balance sheets as of the end of the most recent fiscal quarter, showing separately each principal group of assets, liabilities, and capital accounts; debit and credit adjustments (explained by footnotes) reflecting the proposed transaction; and the resulting pro forma balance sheet;

*Attached hereto as **CONFIDENTIAL** **Exhibit 4** are the requested pro forma parent company and consolidated balance sheets of the Applicant reflecting the effect of the proposed transaction as of December 31, 2018.*

c. For and Applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction, provide a breakdown of the organization's existing and pro forma risk-adjusted assets as of the end of the most recent fiscal quarter, showing each principal group of on and off-balance sheet assets and the relevant risk weight. Also, identify the existing and pro forma components of tier 1, tier 2, and tier 3 (if any) capital pursuant to the risk-based capital guidelines as of the end of the most recent fiscal quarter, and provide calculations of Applicant's existing and pro forma tier 1 and total capital ratios pursuant to the risk-based guidelines and the related leverage ratios.

*The Applicant has included computations in **CONFIDENTIAL** **Exhibit 4** of its consolidated leverage ratio and risk-based capital ratios as of December 31, 2018, and on a pro forma basis reflecting the proposed transaction as if it were consummated on the same date.*

6. **Provide for Applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal:**

   a. **A description of any plans (in connection with the proposed transaction, or otherwise) to issue, incur, or assume additional common equity, preferred stock, trust preferred securities, other qualifying capital, and/or debt. As relevant, specify the amount, purpose, name and location of the issuer and/or lender; provide a copy of any loan agreement, loan commitment letter from the lender, or other underlying agreement which provides the interest rate, maturity, collateral, and proposed amortization schedule; and discuss what resources would be used to service any debt or capital instruments arising from the proposed transaction; and**

The Applicant has no plans to issue, incur or assume additional common equity, preferred stock, trust preferred securities or other qualifying capital or debt in connection with the proposed transaction.

   b. **Cash flow projections under the following limited circumstances:**

      (i) **For an Applicant that is or would be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or**

trust preferred securities in the proposal such that parent company long-term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. If Applicant projects that dividends or other payments from subsidiary banks will be used to service parent company debt and/or trust preferred securities, provide projections of subsidiary bank(s) assets, tier 1 and total capital ratios pursuant to the risk-based capital guidelines, leverage ratio, earnings, and dividends.

Not applicable.

(ii) For an Applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or trust preferred securities in the proposal such that parent company long-term debt would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years, along with supporting schedules for each material cash receipt and disbursement. These projections must clearly demonstrate the ability of the parent company to reduce the long-term debt to equity ratio to 30 percent or less within twelve years of consummation and must take into account the schedule of principal reduction required by the parent company's creditor(s). Include projections of subsidiary bank(s) assets, tier 1 and total capital ratios pursuant to the risk-based capital guidelines, leverage ratio, earnings, dividends, and other payments to affiliates. Explain the methods and assumptions utilized in the projections, and support all assumptions which deviate from historical performance.

Not applicable.

(iii) For an Applicant that is not or would not be subject to consolidated capital standards following consummation of the proposed transaction and that would incur or assume any debt or trust preferred securities in the proposal such that parent company long-term debt would be equal to or less than 30 percent of parent company equity capital and combined parent company long-term debt and trust preferred securities would exceed 30 percent of parent company equity capital, provide cash flow projections for the parent company for each of the next three years along with supporting schedules for each material cash receipt and disbursement. As indicated above, relevant bank subsidiary projections should be provided if the parent company projects relying on dividends and other payments from bank subsidiaries to service its debt and trust preferred securities.

Not Applicable.

7. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Applicant and Bank a list of principals (including changes or additions to this list to reflect consummation of the transaction), providing information with respect to each as follows:

Not applicable.

8. **For applications filed pursuant to sections 3(a)(3) or 3(a)(5) of the BHC Act, list any changes in management or other principal relationships for Applicant and any other Bank(s)/Bank Holding Company(ies) that would result from the proposal. For any existing or proposed principal of Applicant or Bank/Bank Holding Company that is also a principal of any other depository institution or depository institution holding company, provide the following information:**

   a. **Name, address, and title or position with Applicant, Bank/Bank Holding Company, and the other depository institution or depository institution holding company (give the name and location of the other depository institution or depository institution holding company);**

   The Applicant expects to submit an application to the Federal Reserve Bank of Chicago ("Federal Reserve") seeking approval to merge Oak with and into its wholly-owned subsidiary, Wintrust Bank ("WB"), with WB as the surviving entity, immediately following the consummation of the transactions contemplated by the Agreement. There will be no changes to the executive management or board of directors of WB as a result of the proposed transaction.

   b. **Number and percentage of each class of shares of Applicant and Bank/Bank Holding Company owned, controlled, or held with power to vote by this individual;**

   None /Not applicable.

   c. **Principal occupation if other than with the Applicant or Bank/Bank Holding Company; and**

   Not applicable.

   d. **Percentage of direct or indirect ownership held in the other depository institution or depository institution holding company if such ownership represents 10 percent or more of any class of shares.**

   None.

9. **Discuss any material change in the financial condition of Bank/Bank Holding Company since the most recent examination/inspection. Indicate the amount of any dividend payment by Bank/Bank Holding Company since the date of the most recent report of condition and report of income and dividends. Also, indicate the amount of any Bank/Bank Holding Company dividends that are planned prior to consummation. For applications filed pursuant to section 3(a)(1) of the BHC Act, provide for Bank a copy of all schedules from the most recent report of condition and report of income and dividends as filed with the Federal supervisory authority.**

   There has been no material change in the financial condition of Oak or its holding company since the most recent regulatory examinations. From 2013 through 2018, Oak paid a semi-annual dividend of $150,000 ($1.50 per share) to Oak stockholders of record to correspond with the end of the first quarter and the end of the third quarter. The last of these semi-annual dividends was paid on September 27, 2018. In addition, on April 19, 2018, Oak paid a special dividend of $600,000 ($6.00 per share).

10. **If the consolidated assets of the resulting organization are less than $500 million, for each principal of Applicant who wither would retain personal indebtedness or act as a guarantor for any debt that was**

incurred in the acquisition of shares of Applicant or Bank/Bank Holding Company, provide the following;

Not Applicable. The Applicant's consolidated assets exceed $500 million.

FORM FR Y-3 Requested Information – Competition

11. **Discuss the effects of the proposed transaction on competition considering the structural criteria specified in the Board's Rules Regarding Delegation of Authority (section 265.11c(11)(v)). Applicant may be required to provide additional information if Federal Reserve staff determines that the proposal exceeds existing competitive guidelines. Also, if divestiture of all or any portion of any bank or nonbanking company constituted part of this proposal, discuss in detail the specifics and timing of such divestiture.**

Wintrust believes the proposed transaction will not have a significant impact or effect on existing or potential competition in the Chicago-Elgin-Naperville MSA. Oak currently operates one bank office in the Chicago-Elgin-Naperville MSA.

On a pro forma basis, Wintrust Bank ("WB") would control approximately 1.19% of the deposits in the Chicago-Elgin-Naperville MSA under the proposed transaction. Specifically, according to the FDIC Summary of Deposits Market Share Report as of June 30, 2018 (the most recent data available), WB and Oak have the following deposit market shares in the Chicago-Elgin-Naperville MSA:

	$ Deposits	*# Offices*	*Market Share %*
Wintrust Bank	*$4,577,314*	*28*	*1.15%*
Oak Bank	*$ 164,661*	*1*	*0.04%*
Total	***$4,741,975***	***29***	***1.19%***

For additional reference, all branches of Wintrust subsidiaries operating in the Chicago-Elgin-Naperville MSA as of June 30, 2018 held, in the aggregate, total deposits of $23 billion, or approximately 5.78% of the Chicago-Elgin Naperville MSA market. On a pro-forma basis, assuming the closing of the proposed transaction, Wintrust's share of the Chicago-Elgin-Naperville marketplace would rise to 5.83%.

12. **If the proposal involves the acquisition of nonbank operations under sections 4(c)(8) and 4(j) of the Bank Holding Company Act, a Form FR Y-4 should be submitted in connection with the FR Y-3 filing.**

Not applicable.

13. **In an application in which any principal of Applicant or Bank/Bank Holding Company is also a principal of any other insured depository institution or depository institution holding company, give the name and location of each office of such other institution that is located within the relevant banking market of Bank/Bank Holding Company, and give the approximate road miles by the most accessible and traveled route between those offices and each of the offices of Bank/Bank Holding Company.**

None

<u>FORM FR Y-3 Requested Information – Convenience and Needs</u>

14. a. **Describe how the proposal would meet the convenience and needs of the target Bank's community(ies). List any significant changes in services or products that would result from the consummation of the transaction. If any services or products would be discontinued, describe and explain the reasons.**

    b. **Discuss the programs, products, and activities of the depository subsidiaries of Applicant or the target Bank that would meet the existing or anticipated needs of its community(ies) under the applicable criteria of the Community Reinvestment Act (CRA) regulation, including the needs of low and moderate income geographies and individuals. For a subsidiary of Applicant or target Bank that has received a CRA composite rating of "needs to improve" or "substantial noncompliance" institution-wide or, where applicable, in a state or multi-state MSA, or has received an evaluation of less than satisfactory performance in an MSA or in the non-MSA portion of a state in which Applicant is expanding as a result of the transaction, describe the specific action, if any, that have been taken to address the deficiencies in the institution's CRA performance record since the rating.**

Wintrust anticipates that the proposed transaction will bring additional convenience to both existing and prospective customers of Oak. The merger will allow Oak to leverage the strengths of a larger team of lenders and a larger capital base to more effectively serve the loan needs of customers. Merging the two banking subsidiaries will increase the lending limit of the combined organization (Oak and WB as proposed) and will bring the additional lending capacity and larger products/services menu of the full Wintrust organization.

WB currently has an Outstanding CRA rating and maintains a strong commitment to the customers and communities it serves. WB aggressively seeks out opportunities to meet the needs of its assessment area and accomplishes this through its numerous relationships with nonprofits, housing agencies, healthcare agencies, local chambers and continues to develop additional relationships through its calling and marketing efforts. WB has provided the FDIC's Money Smart Financial Literacy Program for many years and actively promotes several products to bank the unbanked, thereby assisting low and moderate income individuals to establish banking relationships and also assist low and moderate income individuals with re-establishing a traditional banking relationship. WB will also offer the Everyday Loan Product which is a small dollar loan product that the bank offers as an alternative to payday lender products.

Additionally, the managerial and financial resources of Wintrust will be available to Oak to assist in the areas of providing additional capital, marketing, compliance program administration, risk management, human resources, asset/liability management, etc. and will allow the management of Oak to then allocate more of their time to serving the local community. In addition to the outreach and products noted above, the additional resources of Wintrust will also allow Oak to provide additional resources to identify and meet the requirements of CRA effectively for the entire assessment area. Wintrust and WB anticipate the benefits to Oak (and the local community) derived from the increased lending capability, additional retail banking products/services and WB's strong commitment to serving the needs of its communities will meet the existing and anticipated needs of the communities it will be serving as well as the requirements and spirit of the Community Reinvestment Act.

APPLICATION TO ACQUIRE A BANK HOLDING COMPANY

EXHIBIT 2:
PUBLIC NOTICE

Notice of Application for Merger of Bank Holding Companies

Wintrust Financial Corporation, 9700 W. Higgins Road, Rosemont, IL 60018 intends to apply to the Federal Reserve Board for permission to merge with another bank holding company, Rush-Oak Corporation, 1000 North Rush Street, Chicago, IL 60611. Wintrust also intends to acquire control of Rush-Oak Corporation's subsidiary Oak Bank, 1000 North Rush Street, Chicago, IL 60611. The Federal Reserve considers a number of factors in deciding whether to approve the application, including the record of performance of banks we own in helping to meet local credit needs.

You are invited to submit comments in writing on this application/notice to Colette A. Fried, Assistant Vice President, Federal Reserve Bank of Chicago, 230 South LaSalle Street, Chicago, Illinois 60604. The comment period will not end before April 11, 2019, and may be somewhat longer. The Board's procedures for processing applications may be found at 12 C.F.R. Part 262. Procedures for processing protested applications may be found at 12 C.F.R. 262.25. To obtain a copy of the Federal Reserve Board's procedures, or if you need more information about how to submit your comments on the application/notice, contact Alicia Williams, Vice President and Community Affairs Officer at (312) 322-5910; to request a copy of an application, contact Colette A. Fried at (312) 322-6846. The Federal Reserve will consider your comments and any request for a public meeting or formal hearing on the application/notice if they are received in writing by the Reserve Bank on or before the last day of the comment period.

Section 604 – Dodd Frank Responses

Section 604 – Dodd Frank Responses

In support of the proposed transaction, the Applicant is providing the following responses as required by Section 604(f) of the Dodd-Frank Act; thereby permitting the Federal Reserve to assess the proposed transaction's risk to the stability of the United States banking system.

PLEASE NOTE: Wintrust Financial Corporation ("Applicant") believes the proposed transaction falls within the Safe Harbor criteria because the two institutions (pending the regulatory approval and consummation of the BHC transaction that is the subject of an FR Y-3 filing with the Federal Reserve) are affiliated.

1. Discuss whether the transaction will result in a material increase in risks to the financial system stability due to an increase in the size of the combining firms.

   The proposed transaction would increase the Applicant's share of the Chicago-Elgin-Naperville MSA deposit market by just 0.04%; giving the Applicant a total deposit market share of approximately 5.78% (source: FDIC, June 30, 2018). The Applicant does not believe the transaction will result in a material increase in the risks to the financial system.

2. Discuss whether the proposed transaction will result in a reduction in the availability of substitute providers for the services offered by the combining firms.

   According to the FDIC, as of June 30, 2018, there were 189 banking organizations operating 2,709 bank branches within the Chicago-Elgin-Naperville MSA. The Applicant believes that no material reduction in the number of substitute providers will result from the proposed transaction.

3. Discuss whether the combined entity will engage in any business activities or participate in markets in a manner that, in the event of financial distress of the combined entity, would cause significant risks to other institutions.

   The Applicant expects to continue to provide community bank products and services to its customers throughout its existing markets in Chicago, Illinois after the consummation of the proposed transaction. The Applicant does not anticipate participating in any activities or markets in a manner which would cause significant risks to other financial institutions.

4. Discuss whether the proposed transaction will materially increase the extent to which the combining firms contribute to the complexity of the financial system.

   The Applicant provides a standard complement of community bank products and services (e.g. loans and deposit products) to its customers via traditional delivery channels (e.g. brick and mortar branches, ATM's, internet, etc.). The Applicant does not anticipate that the relatively minor change in total assets of the combined organization, along with the competitive market environment in which it will operate, would result in an increase in complexity of the financial system.

5. Discuss whether the proposed transaction will materially increase the extent of cross-border activities for the combining firms.

   The Applicant expects little to no change in the extent of its cross-border activities as a result of the proposed transaction.

6. Discuss whether the proposed transaction will increase the relative degree of difficulty of resolving the combined firm.

   The proposed transaction will improve the Applicant's ability to service its customers throughout its service area and the Applicant believes that a modest increase in the number its branches would not change in the relative degree of difficulty associated with resolving the combined firm.