MARQUETTE NATIONAL CORPORATION

March 5, 2009

Mr. Neil M. Barofsky
Special Inspector General
Office of the Inspector General
Troubled Asset Relief Program
1500 Pennsylvania Avenue, N.W., Suite 1064
Washington, D.C. 20220

Re: Response to the Special Inspector General – TARP's February 6, 2009 Information Request for Capital Purchase Program Participants

Dear Mr. Barofsky:

I am writing on behalf of Marquette National Corporation, Chicago, Illinois, in response to the Office of the Special Inspector General for Troubled Asset Relief Program (the "SIGTARP") information request dated February 6, 2009 (the "Information Request"). Marquette National Corporation is the sole shareholder of Marquette Bank, Chicago, Illinois (the "Bank").

Request for Confidential Treatment

For the reasons set forth below, I am requesting that this response (the "Response") to Information Request be accorded confidential treatment. The Response contains proprietary information concerning the business objectives and strategies of the Company and the Bank. Neither the Company nor the Bank is otherwise obligated to disclose any of this information to the general public and this information is being furnished to the SIGTARP in confidence. The Company and the Bank submit that public disclosure of this information would permit its competitors to have access to information that neither the Company nor the Bank would be able to access regarding its competitors.

If the SIGTARP makes a preliminary determination not to accord confidential status to any of the information contained in the Response, I respectfully request that the SIGTARP contact me prior to making a final determination with respect thereto.

Capital Purchase Program Participation

The Company is a diversified bank holding company with total assets of approximately $1.7 billion. The Bank is a full-service, customer-focused neighborhood bank that serves the financial needs of communities in Chicagoland and offers an extensive line of financial products including retail banking, insurance, investments, mortgages, trust and business banking to consumers and commercial customers. The

Bank has offices located in Chicago, Aurora, Bolingbrook, Bridgeview, Evergreen Park, Hickory Hills, Lemont, New Lenox, Oak Lawn, Oak Forest, Orland Park, Romeoville and Summit, Illinois.

Given this background information about the Company's participation in the Capital Purchase Program (the "CPP"), we have provided specific responses to the Information Request, which are set forth below in the order presented in the Information Request.

Information Request #1 – Use of the TARP Funds

Prior to submitting its application for approval to participate in the CPP, the Company's Board of Directors (the "Board") and management team carefully considered the Company's participation in the CPP. While both the Company and the Bank exceeded all "well-capitalized" regulatory benchmarks, the CPP funds were viewed as cost-effective and a significant enhancement to our capital position.

Another advantage to participating in the CPP included an expansion of our ability to maintain appropriate levels of lending to businesses and consumers within our market. (b) (4) [redacted] Based on these considerations, the Board decided to participate with the goal of strengthening the capital positions both of the Company and the Bank in light of increasing uncertainty in the overall economic environment.

As a result, the Company applied for CPP funds in November 2008. In mid-December, the Company received approval to participate and on December 19, 2008, the Company issued $35.5 million of Series A Preferred Stock to the United States Department of the Treasury ("U.S. Treasury"). In connection with the issuance of the Series A Preferred Stock, the Company also issued warrants (the "Warrants") to the U.S. Treasury to acquire an additional $1,775,000 of Series B Preferred Stock. Subsequent to the closing, the U.S. Treasury exercised the Warrants and the Company issued the Series B Preferred Stock.

On December 31, 2008, the Company invested the $35.5 million of cash into the Bank. The proceeds of the Preferred Stock represent equity capital for both the Company and the Bank. From an accounting perspective, the capital invested in the Bank was not segregated and the cash was combined with the Bank's other operating funds.

As a community bank, the Bank avoided the high-risk activities that led to the financial downturn and failure of some financial institutions. Instead, the Bank adhered to the longstanding fundamentals of responsible banking, seeking to serve the long-term interests of our customers, communities and shareholders. Throughout 2008, the Bank pursued the origination of quality loans, as evidenced by its average loan growth of 11% in 2008.

(b) (4)

[redacted]

<u>Information Request #2 Compliance with Executive Compensation Requirements</u>

In connection with the sale of the Series A Preferred Stock and Series B Preferred Stock to the U.S. Treasury, the Company required its five “senior executive officers” (“SEOs”) (as then defined to include the chief executive officer, chief financial officer and next three most highly-compensated executive officers) to execute waivers and letter agreements (collectively, the “CPP Waivers”) pursuant to which the SEOs agreed to be bound by the original four executive compensation restrictions imposed pursuant to CPP rules. Primarily, the CPP Waivers serve to alert the SEOs to the four applicable restrictions:

1. The compensation committee (the “Compensation Committee”) of the Board and the Company’s senior risk officer(s) must meet to identify and

limit the features of the SEOs' incentive compensation arrangements that could lead an SEO to take unnecessary and/or excessive risks that could threaten the Company's value. The Compensation Committee must certify that any meetings have occurred and that incentive compensation programs have been appropriately limited (the "Certification Rule").

2. The SEOs will be subject to a "clawback" with respect to certain incentive compensation and bonus arrangements (the "Clawback Rule").

3. The Company is prohibited from making "golden parachute" payments to the SEOs during the period the U.S. Treasury holds a debt or equity position acquired under the CPP (the "Golden Parachute Rule").

4. The Company is prohibited from claiming deductions for compensation paid during any taxable year to an SEO in excess of $500,000 (the "Deduction Rule").

Further, with respect to the Clawback Rule and Golden Parachute Rule, the CPP Waivers also serve to acknowledge and reflect the SEOs agreement to be subject to such restrictions as a condition to the Company's participation in the CPP.

With respect to the Certification Rule, the officers of the Company have been working to prepare an internal risk assessment with respect to the Company's incentive bonus plan for executives. The risk assessment will be discussed with the Compensation Committee, in accordance with the Certification Rule, on or before March 19, 2009.

(b) (4) [redacted]

In addition to taking the foregoing steps to comply with the original four executive compensation restrictions, the Company has notified its chief executive officer of his obligation to make certain certifications with respect to the Company's compliance with the executive compensation restrictions pursuant to Interim Final Rules issued by the U.S. Treasury in January 2009 (the "Executive Compensation Interim Final Rules"). The Company's chief executive officer has acknowledged his responsibilities pursuant to the Executive Compensation Interim Final Rules and will undertake to satisfy those responsibilities. The Company is also aware of, and is taking steps to comply with, the Executive Compensation Interim Final Rules requirement to preserve documents related to the various required CPP certifications. The Company is currently compiling copies of supporting documentation and will retain such documentation in accordance with the rules set forth in the Executive Compensation Final Interim Rules.

Lastly, the Company is aware of the new executive compensation restrictions included in the American Recovery and Reinvestment Act of 2009. The Company is currently working with legal counsel and other advisors to gain a better understanding of these new restrictions. Once the new restrictions have been fully implemented and explained by the U.S. Treasury, Securities and Exchange Commission and other responsible regulators, the Company will take all reasonable steps necessary to comply with any applicable legal requirements.

Supporting Documentation

In connection with this Response, the Company has included copies of the following supporting documentation:

Exhibit 1 - Press Release dated December 19, 2009 announcing the completion of the CPP transaction; and

Exhibit 2 – Newspaper article discussing the Bank's participation in CPP.

Certification

I, Paul A. Eckroth, Executive Vice President and Chief Financial Officer of Marquette National Corporation, hereby certify that, based on my knowledge of the information contained in the Response and its supporting exhibits, neither the Response nor the supporting exhibits thereto contain any untrue statement of a material fact or omission to state a material fact necessary to make the statements made, in light of the circumstances under which such statements are made, not misleading.

Paul A. Eckroth
Paul A. Eckroth
Executive Vice President
& Chief Financial Officer

Exhibit 1

Marquette National Corporation

Press Release Dated
December 19, 2009

PRESS RELEASE

For Immediate Release
December 19, 2008

For more information:
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EVP & CFO
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Marquette National Corporation
Completes Capital Purchase Program Transaction

CHICAGO, IL--December 19, 2008 (OTC:MNAT) -- Marquette National Corporation (the "Company"), parent company of Marquette Bank, today announced that it has participated in the U.S. Treasury's voluntary Capital Purchase Program. The Capital Purchase Program, a part of the Emergency Economic Stabilization Act of 2008, is designed to provide capital to healthy financial institutions, thereby increasing confidence in the banking industry and increasing the flow of financing to businesses and consumers. The Company received $35.5 million from the U.S. Treasury through the sale of 35,500 shares of the Company's newly authorized Fixed Rate Cumulative Perpetual Preferred Stock, Series A. The amount of preferred stock sold represents approximately 3% of the Company's risk-weighted assets as of September 30, 2008.

In connection with the issuance of the Preferred Stock, the Company also issued warrants (the “Warrants”) to the U.S. Treasury to acquire an additional $1,775,000 of Preferred Stock. Subsequent to the closing, the U.S. Treasury exercised the Warrants and the Company issued additional Preferred Stock.

The Company’s Chairman and CEO, Paul M. McCarthy commented, "After careful consideration, our Board of Directors and management team determined that Marquette National Corporation's participation in the Capital Purchase Program was the right decision for the Company, our shareholders and the neighborhoods we serve. While our Company currently exceeds all 'well-capitalized' regulatory benchmarks, these cost-effective funds from the Treasury significantly enhances our capital position in these uncertain economic times. Additional capital will expand our ability to provide appropriate lending to businesses and consumers in our market, will provide greater flexibility in considering strategic opportunities that will likely arise, and will enhance our ability to support economic activity in our market area."

The Preferred Stock has a perpetual life and is redeemable after three years, subject to the approval of the Company's primary federal regulator. For the Preferred Stock issued for cash, cumulative dividends will accrue at a rate of 5% per year for the first five years, and at a rate of 9% per year thereafter. For Preferred Stock issued in connection with the exercise of the Warrants, cumulative dividends will accrue at a rate of 9% per year.

The Security Purchase Agreement pursuant to which the Preferred Stock and the Warrants were sold contains limitations on the payment of dividends or distributions on the Company's common stock and on the Company's ability to repurchase, redeem or acquire its common stock.

A summary of the Capital Purchase Program can be found on the Treasury's web site at: http://www.ustreas.gov/initiatives/eesa.

Marquette National Corporation is a diversified bank holding company with total assets of approximately $1.6 billion. The Company's banking subsidiary, Marquette Bank, is a full-service, customer-focused neighborhood bank that serves the financial needs of communities in Chicagoland, offering an extensive line of financial products including retail banking, insurance, investments, mortgage, trust and business banking to consumers and commercial customers. Marquette Bank has offices located in Chicago, Aurora, Bridgeview, Evergreen Park, Hickory Hills, Naperville, New Lenox, Oak Lawn, Orland Park, Romeoville and Summit, Illinois. For more information visit: http://www.emarquettebank.com

This press release may contain forward-looking statements. Forward looking statements are identifiable by the inclusion of such qualifications as expects, intends, believes, may, likely or other indications that the particular statements are not based upon facts but are rather based upon the Company's beliefs as of the date of this release. Actual events and results may differ significantly from those described in such forward-looking statements, due to changes in the economy, interest rates or other factors. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

Exhibit 2

Marquette National Corporation

Southtown Star Newspaper Article
February 15, 2009

A BETTER BANK FOR YOUR BUCK

We are doing with the money what was meant to be done with it. We are out there lending. We feel it was the right thing to do.

MIKE MANGIN,
MARQUETTE BANK'S EXECUTIVE VICE PRESIDENT IN CHARGE OF RETAIL LENDING, ON USING MONEY PROVIDED BY THE FEDERAL GOVERNMENT

Unlike Wall Street, local lenders are using so-called 'bailout' cash to finance loans in these troubled times. Here's how ...

GUY TRIDGELL

Last week, while the top executives at the biggest banks went before Congress to explain what they've done with your money, Marquette Bank was up to its usual shenanigans.

The Orland Park bank was making loans. With cash that you provided last fall to keep the financial industry afloat and stop the country from slipping into the Great Depression II.

Tucked in the paperwork of the federal government's $700 billion bailout of the financial industry was a provision to reward banks and lending institutions that actually were doing their jobs.

Marquette, a 64-year-old bank that originated in Chicago's West Englewood community — about as far away from Wall Street as you can get — received $35 million.

Instead of socking it away, paying for bonuses or sending employees on Las Vegas retreats — all misdeeds done by the big banks — Marquette turned the money around to help homeowners stay in their houses and allow at least one mom-and-pop business to get off the ground.

"We are lending," said Mike Mangin, Marquette's executive vice president in charge of retail lending. "You will find some guys aren't doing that."

What a concept: A small bank run by people in the community taking smart gambles on the financial futures of people in the community. If the odds of a return on the loan are bad, the loan isn't made.

It's a long way from just a few years ago, when everyone and their brother was making exotic, goofy loans and getting rich in the process. Until, that is, those loans became due.

'Conservative bank'

Mangin said federal regulators making routine checks of the bank's modest financial books used to joke about how he must be doing something wrong.

"They would ask us, 'Why aren't you making these big earnings that everyone else is?' " Mangin said. "We would laugh. We are a Southwest Side, conservative bank.

"And guess what? Every one of those big banks that was making huge earnings are taking losses, some of them astronomical."

In October, with the financial markets in cardiac arrest, Congress passed the Emergency Economic Stabilization Act. Since then, about $387 billion has been injected into the country's financial system.

Eight major banks received $125 billion to rescue them from years of bad decisions and corporate excesses. Now no one can figure out what happened with that money. It certainly didn't go toward loans, as last week's testimony showed.

While the big bankers played free and loose with the taxpayers' donation, another $125 billion went to smaller, healthier banks.

The little guys might not have needed it, but the money was the closet thing to a guarantee that at least one segment of the economy would continue to function.

As of Feb. 3, 359 banks in 45 states have received money.

Among the lending institutions with local ties that received bailout funds are Bridgeview Bank, Cole Taylor Bank, MB Financial, First Midwest, Beverly Bank, Old Plank Trail Bank and Old Second Bank. A full list is available through the Treasury Department at www.ustreas.gov.

It's a government loan

The money comes with strings attached. It must be repaid with 6-percent interest within five years. If not, the rate jumps to 9 percent.

"The public looks at it as money that was handed to the bank," said Lee Zagrakalis, who's in charge of Marquette's commercial lending division. "It's a loan."

Since the $35 million wound up at Marquette in December, the bank has made about $100 million in retail loans, about $80 million of which went toward refinancing mortgages. The pace has the bank poised to exceed the $425 million loaned last year.

ABOVE: Marquette Bank employees Mike Mangin (left), executive vice president in charge of retail lending, and Lee Zagrakalis, senior vice president of commercial banking, stand Thursday outside the offices of the Marquette Center. BELOW: Zagrakalis (left) and Mangin conduct business in their offices. PHOTOS BY MATT MARTON — SOUTHTOWNSTAR

On the commercial side, $17 million in loans were made during the slowest time of the year.

Zagrakalis said he helped secure a line of credit for a local rehabber who wanted to buy five or six homes. The bank also helped along a small entrepreneur with an encouraging business plan who needed a few bucks.

And all of the money has stayed in the area.

"We are not going to go Michigan. We're not an expert in that market," Zagrakalis said. "We think we can find the biggest bang for our buck in our community."

At the bank's corporate office at 151st Street and West Avenue, they wear the homerism like a badge. Of the 12 commercial lenders, 11 live within 10 minutes of the office.

The bank admits it might not always have the lowest rates or the slickest online banking options. But its workers know the area. When the address on a loan application comes through, it's not uncommon for someone in the office to know the exact piece of property.

'Old school' rules today

During the housing boom, the old-school attitude toward business hurt.

Marquette stayed away from the subprime loans made with no income verification, said Mangin, who oversees the home mortgage side of the business.

And the bank didn't deal with some of the crazier adjustable-rate mortgages or the independent brokers that made many financial folks wealthy.

"We lost customers," Mangin said. "Now we look back on it and say we made the right choices.

"The community banks are probably the strongest sector right now. We are as stable as anybody in the market."

Congress, at least this one time, looks like it did something right with your money.

"We are doing with the money what was meant to be done with it. We are out there lending," Mangin said. "We feel it was the right thing to do."

Guy Tridgell can be reached at gtridgell@southtownstar.com or (708)633-5970.