



THE PRIVATE BANK

March 6, 2009

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

Dear Mr. Barofsky:

This letter responds to your letter to PrivateBancorp, Inc. ("PrivateBancorp") dated February 6, 2009 regarding its use of funds received under the Troubled Asset Relief Program ("TARP") and its compliance with the executive compensation requirements of the Emergency Economic Stabilization Act of 2008 ("EESA"). We have formatted our responses to correspond to your specific questions.

Confidential Treatment Requested Under the Freedom of Information Act

Confidential treatment is requested of this letter, the information set forth in this letter, and the attachments under the Freedom of Information Act pursuant to 5 U.S.C. 552(b)(4) because the information consists of confidential commercial and financial information the disclosure of which could cause the submitter substantial competitive harm. Information in this letter discusses how the submitter manages its business internally and its financial goals. It also discloses information about financial results that have not been made public. Information concerning the submitter's plans for deploying cash and capital, balance sheet management practices and executive compensation protocols are set forth in this letter and constitute confidential commercial or financial information or both. The management, goals, plans, protocols and results, if made known publicly, could prove advantageous to the submitter's competitors and thereby could potentially cause the submitter substantial competitive harm. If the Office of the Special Inspector General or the U.S. Department of the Treasury has any questions concerning this request or will not fulfill this request, please contact the undersigned at (b) (6) (b) (6) before making public disclosure of this letter or the information set forth in this letter.

1 (a): A narrative response specifically outlining your anticipated use of TARP funds:

As noted in our TARP Capital Purchase program application filed on October 29, 2008, PrivateBancorp's subsidiary banks (which operate under the name "The PrivateBank") have a strong and proven record of lending. Since the third quarter of 2007, when PrivateBancorp adopted its Strategic Growth Plan, our loan portfolio has grown over 100%, from \$3.7 billion at September 30, 2007 to \$8.0 billion at December 31, 2008. The loans made by our subsidiary banks since the adoption of our Strategic Growth Plan have benefited, among others, middle market companies within our target market. During January 2009, when PrivateBancorp received TARP approval and funding, we increased our loan portfolio by \$127 million.

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(b) (4)

The timing of deployment of the TARP capital will reflect a rational balancing of several objectives among those: (1) meeting our leverage and lending goals, (2) reducing our funding costs, (3) maintaining strong liquidity and capital positions and (4) otherwise operating in a safe and sound manner. In the short term, **(b) (8)** PrivateBancorp intends to use up to \$115 million to redeem convertible senior notes that may be put to it on March 15, 2009 pursuant to terms of the notes issued in March 2007. This redemption will not reduce the capital ratios of PrivateBancorp subsidiary banks. **(b) (4)**

(b) (4)

1 (b): A narrative response specifically outlining whether the TARP funds were segregated from other institutional funds:

Upon receipt, TARP funds totaling \$244 million were deposited into the general disbursement checking account of PrivateBancorp maintained at its flagship banking subsidiary, The PrivateBank and Trust Company. Such funds continue to be held in this account. The TARP proceeds have become a part of PrivateBancorp's capital base.

1 (c): A narrative response specifically outlining your actual use of TARP funds to date:

PrivateBancorp received TARP approval on January 16, 2009 and the actual cash proceeds were received on January 30, 2009. The TARP funds continue to be held in a general disbursement checking account of Private Bancorp maintained at its flagship subsidiary bank, The PrivateBank and Trust Company. In anticipation of receiving these funds, we continued to lend and increased our loan portfolio balances by \$127 million during the month of January. The TARP capital, which we recorded on our consolidated balance sheet as of January 30, 2009, helped support our January loan growth while giving us a significant capital cushion at month-end.

1(d): A narrative response specifically outlining your expected use of unspent TARP funds:

As noted in 1(a) above, we expect to use TARP funds to facilitate loan growth through our bank subsidiaries.

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As noted above, we currently expect to use up to \$115 million to redeem convertible senior notes that may be put to us on March 15, 2009. Such repayment of this higher cost funding source will have a positive effect on our earnings, and will not reduce our consolidated capital ratios or otherwise affect our ability to generate our projected loan growth.

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(b) (4)

(b) (8)

2: Your specific plans, and the status of implementation of those plans, for addressing executive compensation requirements associated with the funding.

The Board of Directors of PrivateBancorp oversees management's compliance with the executive compensation requirements related to TARP funding. In this regard, management has established, on a preliminary basis, and subject to final Treasury rules, several key compliance protocols relating to TARP funding.

Management has appointed a TARP compliance officer who is responsible for monitoring compliance with the various executive compensation requirements associated with TARP, including the amended requirements enacted on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The TARP Compliance Officer regularly updates PrivateBancorp's Management Risk Committee and the Business Risk Committee of the Board of Directors of PrivateBancorp concerning TARP compliance matters. Such updates include reporting on compliance with the executive compensation requirements associated with TARP and the use of TARP funds. The details of the TARP compliance officer's reporting responsibilities are described in a preliminary TARP Compliance Policy, subject to Treasury's final rules (attached).

Another element of management's TARP compliance protocol is the ongoing review that the Compensation Committee of the Board, along with PrivateBancorp's Chief Risk Officer, are conducting concerning PrivateBancorp's senior executive officer incentive compensation programs. The Chief Risk Officer has met with the Compensation Committee of our Board of Directors to provide updates on his review. He is expected to present a final analysis to the Compensation Committee by the end of March 2009 or in early April. As part of our Chief Risk Officer's risk review, it is expected that he will incorporate an analysis of the various risks associated with lending and their relationship to executive incentive compensation plans.

The TARP Compliance Officer has worked in consultation with PrivateBancorp's Chief Accounting Officer and Chief Financial Officer on the senior executive officer incentive compensation "clawback" provision, including the expansion of the "clawback" provision under the ARRA to include the top 5 senior executive officers as well as the next 20 most highly compensated employees. The TARP Compliance Officer, together with other representatives of our Finance team, are in the process of establishing procedures that will allow us, on an ongoing basis, to identify prior period adjustments or errors in financial results or other metrics that affected incentive compensation payouts to those employees

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subject to the "clawback" provision. Such procedures will include monthly meetings with finance and accounting personnel.

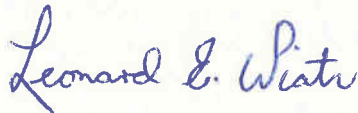
The TARP Compliance Officer also has worked in conjunction with PrivateBancorp's Chief Human Resources Officer with respect to the rules restricting golden parachute payments to senior executive officers, including the expansion of the "golden parachute" provision under the ARRA to include the top 5 senior executive officers as well as the next 5 most highly compensated employees and the narrowing of the definition of a "golden parachute." A written memorandum outlining these requirements has been provided by the TARP Compliance Officer to the Chief Human Resources Officer. As a result of the changes made in the ARRA to the definition of "golden parachute" and the expansion of the group to whom this restriction applies, PrivateBancorp expects to review all employment agreements and executive benefit plans to identify any amendments that may be required to such agreements and plans when Treasury guidance is issued relative to this requirement. In the meantime, the Chief Human Resources Officer has implemented written procedures to prohibit the payment of any severance to any employees without prior consultation with PrivateBancorp's General Counsel.

PrivateBancorp's Director of Tax, who also serves as our TARP Compliance Officer, is developing procedures addressing compliance with the rule restricting compensation tax deductions to \$500,000 per senior executive officer. The procedures are expected to include convening annual meetings on or around year-end with the Chief Human Resources Officer and affected senior executive officers in order to review compensation amounts and arrangements.

PrivateBancorp's Chief Executive Officer, General Counsel, Chief Human Resources Officer and TARP Compliance Officer have met to discuss the implications of the new restrictions (part of the ARRA) on incentive compensation payments to certain highly compensated employees of PrivateBancorp. In interpreting the application of the TARP executive compensation requirements, PrivateBancorp continues to consult with its outside counsel and executive compensation consulting firm.

I, Leonard E. Wiatr, certify that I have reviewed this response and supporting documents, and, based on my knowledge, this response and the supporting document do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading.

Sincerely,



Leonard E. Wiatr
Chief Compliance and Regulatory Affairs Officer

(b) (6)

Enclosure

PrivateBancorp, Inc.

TARP Compliance Policy

TARP Compliance Policy

Introduction and Objectives

- 1) This TARP Compliance Policy (“Policy”) sets forth the policies and procedures to be followed by PrivateBancorp, Inc. and its subsidiary banks (collectively “Company”) with respect to the Company’s participation in the TARP program administered by the Department of Treasury.
- 2) The Company recognizes the importance of utilizing the TARP capital for the purposes of:
 - a. Lending to creditworthy borrowers;
 - b. Strengthening capital;
 - c. Working with mortgage borrowers;

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- 3) The Company also recognizes the need to ensure compliance with:
 - a. covenants in the Securities Purchase Agreement and related documents;
 - b. periodic certifications required to be made by the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”);
 - c. various additional conditions to which all TARP recipients are subject:
 - i. ensuring that executive compensation programs for Senior Executive Officers (“SEO”) do not encourage excessive risk-taking;
 - ii. Incentive compensation limits and clawback provisions;
 - iii. Prohibition on certain severance payments;
 - iv. limitations on SEO executive compensation tax deductions;
 - v. Corporate governance provisions relating to policies on certain prerequisites and shareholder votes on executive compensation.

TARP Compliance Officer

The Company shall designate a TARP Compliance Officer whose responsibility shall be to oversee the Company’s compliance with this Policy. The TARP Compliance Officer shall have the requisite authority to carry out his/her responsibilities under this Policy.

Initial Procedures and Actions

- 1) SEO Executive Compensation. The TARP Compliance Officer shall advise the Company’s Compensation Committee of the need to ensure the Company’s executive compensation programs are aligned with the long-term interests of the Company, provide incentives for safe and sound behavior and are in compliance with the following Treasury-mandated requirements:
 - a. Elimination of excessive risk-taking in SEO executive compensation incentive programs
 - i. Ongoing obligations to exclude incentives involving unnecessary and excessive risks that threaten the value of the institution.
 - ii. Initial meeting of the Compensation Committee and the Chief Risk Officer

- a. within 90 days of TARP funding
 - b. discussion of long-term and short-term risks unique to the nature of the Company, its business and the markets in which it operates
 - c. identify and eliminate features in SEO incentive compensation arrangements, if any, that could encourage SEOs to take such risks
 - iii. Annual meetings of the Compensation Committee and the Chief Risk Officer
 - a. discuss and review the relationship between the Company's risk management policies and practice and SEO incentive compensation arrangements
 - iv. Inclusion of certification in Compensation Committee Report in proxy statement
 - b. Incentive compensation "clawback"
 - i. TARP Compliance Officer shall provide appropriate support to the relevant executive officers of the Company to address the "clawback" provision, which will include developing procedures that will assist in identifying material financial adjustments made in the current year that may relate to a prior year.
 - ii. assessment of meaning of "materially inaccurate."
 - c. Prohibition on severance and golden parachute payments to SEOs and certain other executive officers;
- 2) Limitation on Tax Deductions. The Director of Tax should develop control procedures to ensure that tax deductions for SEOs do not exceed the \$500,000 annual limitation (per SEO);
- 3) CEO and CFO Certifications. TARP Compliance Officer shall provide appropriate support to the CEO and CFO with respect to the annual certifications to be made to the Treasury and in annual securities filings and develop procedures for sub-certifications to be provided to the CEO and CFO from responsible parties in the organization.
- 4) Mortgage loan modifications. Although the Company does not have a significant mortgage portfolio, it nevertheless recognizes its obligations, where appropriate, to work with its mortgage customers to avoid preventable foreclosures. The TARP Compliance Officer shall be responsible for coordinating with appropriate executive officers of the Company or related entities to develop streamlined mortgage loan modification protocols that are designed to avoid preventable foreclosures.
- 5) Public Disclosure. TARP Compliance Officer shall provide appropriate support to relevant executive officers of the Company to identify the information that the Company will be regularly gathering in conjunction with this Policy and developing a standard for disclosure of portions of this information in Annual Reports and quarterly reports to publicly document the Company's prudent use of the TARP capital.
- 6) Other Procedures. TARP Compliance Officer shall provide appropriate support to the relevant executive officers of the Company to develop such other initial procedures as are deemed necessary to ensure:
- a. the objectives of the TARP capital funding are being satisfied;
 - b. all covenants, conditions and restrictions are being met, both initially and on an ongoing basis, and
 - c. the proper documentation of the foregoing.

Reporting and Documentation

TARP Compliance Officer shall be responsible for ongoing documentation and reporting compliance as outlined by new legislation, Treasury regulations and pronouncements, this Policy, or other applicable guidelines. All written reports shall be prepared in the timeframes outlined below and delivered to the Company's Management Risk Committee and Board of Directors Business Risk Committee with copies to appropriate executive officers. Reports to be prepared by the TARP Compliance Officer include the following:

- 1) Initial Compliance Report. The initial compliance report shall be completed within sixty (60) days of receipt of TARP capital and shall include the following information:
 - a. Summary of steps taken relative to:
 - i. Compensation Committee's plan for review of CEO incentive compensation arrangements;
 - ii. Tax procedures and controls;
 - iii. Mortgage loan modification procedures;
 - iv. Certification and sub-certification procedures;
 - v. Plan for public disclosure of TARP capital deployment information.
 - b. Loan commitments, loan balances growth since the date of TARP capital funding.
 - c. Purchases of mortgage-backed securities and municipal securities since the date of TARP capital funding.
 - d. Capital
 - i. Dollar amount of capital (total, tangible, Tier 1 and Tier 2) for the Company;
 - ii. Capital ratios (total, tangible, Tier 1 and Tier 2) for the Company;
 - iii. Plans, if any, for raising new capital to support the TARP capital investment and its associated objectives;
 - e. Such other information that is useful or relevant in the assessment of TARP capital utilization.

- 2) Quarterly Compliance Reports. Within sixty (60) days of the end of the quarterly periods ended March 31, June 30 and September 30, a compliance report will be prepared and include the following information:
 - a. Lending
 - i. Summary of new loans committed (commercial, commercial real estate and all other categories);
 1. Listing of all new CRA qualified community development loans, business loans and community development investments;
 - ii. Report showing dollar and percentage changes in loan balances by category;
 - iii. Listing of purchases of mortgage-backed securities and municipal securities;
 - b. Capital
 - i. Dollar amount of capital (total, tangible, Tier 1 and Tier 2) for the Company;
 - ii. Capital ratios (total, tangible, Tier 1 and Tier 2) for the Company;
 - iii. Plans, if any, for raising new capital to support the TARP capital investment and its associated objectives.
 - c. Mortgage Loan Modifications

- i. Summary of consumer loan modifications and other foreclosure mitigation actions taken during the quarter to work with consumer borrowers to avoid preventable foreclosures.
 - d. Executive Compensation / Corporate Governance
 - i. Summary of any material change in executive compensation plans and an assessment, from the Compensation Committee, of whether such changes are consistent with the objectives outlined above for executive compensation incentive programs.
 - ii. Summary of other relevant information relating to compliance with executive compensation and corporate governance requirements and best practices.
 - e. Disclosure of Public Information
 - i. Summary of information contained in the quarterly compliance report that is expected to be publicly disclosed.
- 3) Annual Compliance Report. Within sixty (60) days of the end of each calendar year, a compliance report will be prepared that includes the same information as is outlined for quarterly compliance reports, plus:
 - a. Reporting on compliance with annual certification requirements;
 - b. Summary of conclusions from the periodic risk assessment reviews conducted by the Compensation Committee and the Chief Risk Officer.
- 4) Record Maintenance. The Company will preserve appropriate documentation and records to monitor compliance with this Policy and to substantiate each certification in accordance with the requirements established by Treasury, which currently means for no less than six years, with such documentation and records easily accessible for the first two years.

Escalation Procedures. The TARP Compliance Officer shall consult with appropriate representatives of the Company regarding any issues that may arise concerning TARP compliance and escalate any concerns to the Chief Compliance Officer as appropriate. The Chief Compliance Officer will further escalate any concerns to the Company's Management Risk Committee and the Board of Directors Business Risk Committee and Audit Committee, as appropriate.