

OFFICE OF THRIFT SUPERVISION

Receivership of A Federal Savings Bank

Date: July 16, 2010

Order No.: 2010-44

OTS No.: 00966

The Acting Director of the Office of Thrift Supervision (OTS), or his designee, in cooperation with the Federal Deposit Insurance Corporation (FDIC), has determined to appoint the FDIC as receiver of MainStreet Savings Bank, FSB, Hastings, Michigan (Savings Bank).

GROUNDS FOR APPOINTMENT OF FDIC AS RECEIVER FOR THE SAVINGS BANK

The Acting Director, or his designee, based upon the administrative record, finds and determines the following:

- (i) The Savings Bank, by resolution of its board of directors, has consented to the appointment of a receiver;
- (ii) The Savings Bank is critically undercapitalized; and
- (iii) The Savings Bank has substantially insufficient capital.

The Savings Bank is a Deposit Insurance Fund-insured, federally chartered stock savings bank based in Hastings, Michigan. The Savings Bank operates as a community bank with one full service branch and one loan production office. The Savings Bank is wholly-owned by MainStreet Financial Corporation (Mid-Tier), a federally chartered subsidiary mutual holding company. MainStreet Financial Corporation, MHC (MHC), a federally chartered mutual holding company, owns a majority of the Mid-Tier's common stock.

The Savings Bank's Thrift Financial Report (TFR) for March 31, 2010, reported approximately \$97.39 million in assets, \$95.12 million in liabilities, \$2.27 million in stockholders' equity, and a net loss for the quarter ended March 31, 2010 of approximately \$455,000. At March 31, 2010, the Savings Bank reported tangible, tier 1 (core), tier 1 risk-based, and total risk-based capital of 1.80 percent, 1.81 percent, 3.10 percent, and 4.35 percent, respectively. Based on the tangible capital ratio in the Savings Bank's March 31, 2010, TFR, the Savings Bank is critically undercapitalized.

DISCUSSION OF GROUNDS FOR APPOINTMENT OF A RECEIVER FOR THE SAVINGS BANK

Section 5(d)(2)(A) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(d)(2)(A), provides that OTS may appoint a receiver for any insured savings association if OTS determines that one or more grounds specified in section 11(c)(5) of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1821(c)(5), exist.

Consent

Under section 11(c)(5)(I) of the FDIA, OTS may appoint a receiver if the institution, by resolution of its board of directors, consents to the appointment. The Acting Director, or his designee, finds that the board of directors of the Savings Bank, by resolution dated July 14, 2010, consented to the appointment of a conservator or receiver by OTS and, on July 14, 2010, the Savings Bank entered into a Stipulation and Consent agreement with OTS for such an appointment.

Critically Undercapitalized

Under section 11(c)(5)(L)(i) of the FDIA, OTS may appoint a receiver for a savings association if it is critically undercapitalized, as defined in 12 U.S.C. § 1831o(b) of the FDIA. Under section 1831o(b), a depository institution is critically undercapitalized if it fails to meet any level of capital specified under section 1831o(c)(3)(A) of the FDIA. Section 1831o(c)(3)(A) provides for the appropriate banking agency to set a ratio of tangible equity to total assets at which an institution is critically undercapitalized. OTS has promulgated 12 C.F.R. § 565.4(b)(5), which defines an institution as critically undercapitalized if it has a ratio of tangible equity to total assets that is equal to or less than two percent. As of March 31, 2010, the Savings Bank reported a tangible capital ratio of 1.80 percent. At May 31, 2010, the Savings Bank reported a tangible capital ratio of 1.49 percent. Thus, the Acting Director, or his designee, concludes that the Savings Bank is critically undercapitalized.

Substantially Insufficient Capital

Under section 11(c)(5)(L)(ii), OTS may appoint a receiver for a savings association if it has substantially insufficient capital. Pursuant to the authority granted in sections 5(t)(1)(A)(i) and 5(t)(2)(A) of the HOLA, OTS has promulgated 12 C.F.R. Part 567, requiring all savings associations that are not "1" rated to maintain a core capital ratio of 4 percent and all savings associations to maintain a minimum total risk-based capital ratio of 8 percent of the institution's risk-based assets, as defined. OTS has concluded previously that failure to maintain at least two-thirds of any capital required by 12 C.F.R. Part 567 constitutes a substantial capital insufficiency within the meaning of the 12 U.S.C. § 1821(c)(5)(L)(ii). See, e.g., OTS Orders No. 2009-21 (April 17, 2009) and No. 2008-33 (September 19, 2008).

The Savings Bank is not "1" rated and had a core capital ratio and a total risk-based capital ratio of 1.81 percent and 4.35 percent, respectively, as of March 31, 2010. At May 31,

2010, the Savings Bank reported core and total risk-based capital ratios of 1.49 percent and 3.85 percent, respectively. Accordingly, the Savings Bank's core capital ratio and total risk-based capital ratio both are less than two-thirds of the applicable capital requirements. Accordingly, the Acting Director, or his designee, concludes that the Savings Bank has substantially insufficient capital.

The Acting Director, or his designee, therefore, has determined that grounds for the appointment of a receiver for the Savings Bank exist under section 5(d)(2) of the HOLA, and sections 11(c)(5)(I), (L)(i), and (L)(ii) of the FDIA, 12 U.S.C. §§ 1821(c)(5)(I), (L)(i) and (L)(ii).

ACTIONS ORDERED OR APPROVED

Appointment of a Receiver

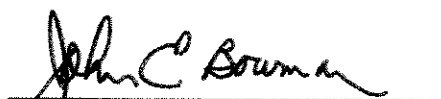
The Acting Director, or his designee, hereby appoints the FDIC as receiver for the Savings Bank, for the purpose of liquidation or winding up the affairs of the Savings Bank, pursuant to section 5(d)(2) of the HOLA, 12 U.S.C. § 1464(d)(2), and section 11(c)(6)(B) of the FDIA, 12 U.S.C. § 1821(c)(6)(B).

Delegation of Authority to Act for OTS

The Acting Director, or his designee, hereby authorizes the OTS Central Regional Director, or his designee, and the Deputy Chief Counsel for Business Transactions of the Chief Counsel's Office, or his designee, to: (i) certify orders; (ii) sign, execute, attest, or certify other documents of OTS issued or authorized by this Order; (iii) designate the persons or entity that will give notice of the appointment of a receiver for the Savings Bank and serve the Savings Bank with a copy of this Order pursuant to 12 C.F.R. § 558.2; and (iv) perform such other functions of OTS necessary or appropriate for implementation of this Order. All documents to be issued under the authority of this Order must be first approved, in form and content, by the Chief Counsel's Office. In addition, the Acting Director, or his designee, hereby authorizes the Deputy Chief Counsel for Business Transactions, or his designee, to make any subsequent technical corrections, that might be necessary, to this Order, or any documents issued under the authority of this Order.

By Order of the Acting Director of OTS, or his designee, effective: (a) as to the above matters regarding the delegation of authority, immediately upon signature; and (b) as to the above matters regarding the appointment of the FDIC as receiver, immediately upon service of this Order on the Savings Bank.

Executed this 16th day of July, 2010.



John E. Bowman
Acting Director