

UNITED STATES OF AMERICA  
DEPARTMENT OF THE TREASURY  
COMPTROLLER OF THE CURRENCY

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<b>In the Matter of:</b>	)	
John Baer	)	
Director	)	AA-CE-12-04
The First National Bank in Tremont	)	
Tremont, Illinois	)	

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**CONSENT ORDER**

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) intends to initiate proceedings to assess a civil money penalty against John Baer (“Respondent”), pursuant to 12 U.S.C. § 1818(i), in his capacity as a Director of The First National Bank in Tremont, Tremont, Illinois (“Bank”), for failing to take the necessary actions to cause the Bank to comply with the Formal Agreement entered into on December 16, 2008.

WHEREAS, in the interest of cooperation and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, Respondent, without admitting or denying any wrongdoing, desires to enter into this Consent Order (“Order”);

NOW, THEREFORE, it is stipulated by and between the Comptroller, through his duly authorized representative, and Respondent that:

Article I

JURISDICTION

(1) The Bank is a national banking association, chartered and examined by the Comptroller, pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.* Accordingly, the Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) Respondent is a Director of the Bank and is an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such capacity within six (6) years from the date hereof (*see* 12 U.S.C. § 1818(i)(3)).

(3) Pursuant to 12 U.S.C. § 1813(q), the Comptroller is the “appropriate Federal banking agency” to maintain an enforcement proceeding against institution-affiliated parties. Therefore, Respondent is subject to the authority of the Comptroller to initiate and maintain civil money penalty actions against him pursuant to 12 U.S.C. § 1818(i).

Article II

COMPTROLLER’S FINDINGS

The Comptroller finds, and Respondent neither admits nor denies, the following:

(1) On December 16, 2008, Respondent executed a Formal Agreement (“FA”), a written agreement as described in 12 U.S.C. § 1818(i)(2)(iv), with the OCC in his

capacity as a Director of the Bank. As a Director of the Bank, Respondent was responsible for ensuring the Bank's compliance with the FA, which required the Board to, among other things, create and implement workout plans designed to eliminate the basis of criticism for each criticized asset; ensure compliance with its 2009 Revised Loan Policy, including its unsecured lending policy; obtain satisfactory credit and collateral information on all existing loans; base extensions of credit on new and existing loans on satisfactory credit and collateral information; and ensure that the Bank's internal risk ratings of commercial credit relationships in the principal amount of \$100,000 or greater are timely, accurate, and consistent with regulatory credit classification criteria.

(2) Respondent has been a Director of the Bank since execution of the FA.

(3) The OCC tested the Bank's compliance with the FA during the December 7, 2009 examination ("2009 Examination") and found noncompliance with five articles of the FA. For example, Respondent failed to ensure compliance with the workout plans for a significant percentage of problem loans; failed to ensure compliance with its 2009 Revised Loan Policy; failed to obtain current financial or collateral information for certain loans where such information was required; and failed to ensure that the Bank's internal risk ratings of certain commercial credit relationships are consistent with regulatory credit classification criteria. Following that examination, the OCC provided guidance for correcting the deficiencies to the Bank's Board, including Respondent.

(4) The OCC issued a Letter of Reprimand in June 2010 to each member of the Board of Directors, including Respondent, for violating the FA. The Letter of Reprimand noted the violations and served as a formal prior supervisory warning that failure to comply with the requirements of the FA constitutes an unsafe or unsound practice and a breach of the fiduciary duty to the Bank that could result in sanctions against each Board Member.

(5) The OCC again tested compliance with the FA during the February 14, 2011 examination and again found noncompliance with the FA. Respondent, in his capacity as a Director, failed to ensure that the Bank took the necessary actions to achieve compliance with four articles of the FA, all of which were previously found in noncompliance during the 2009 Examination. For example, Respondent failed to ensure compliance with the workout plans for a significant percentage of problem loans; failed to ensure compliance with its 2009 Revised Loan Policy; failed to ensure the Visa credit card program adhered to the unsecured lending section of the 2009 Revised Loan Policy; failed to obtain current financial or collateral information for certain loans where such information was required; and failed to ensure that the Bank's internal risk ratings of certain commercial credit relationships are consistent with regulatory credit classification criteria.

(6) By reason of the foregoing conduct, Respondent violated and caused the Bank to violate the FA, a written agreement, between the Bank and the OCC.

Article III

ORDER FOR CIVIL MONEY PENALTY

Respondent consents to, and it is ORDERED that:

(1) Respondent shall pay a civil money penalty in the amount of one thousand dollars (\$1,000.00), which shall be paid in full upon execution of this Order.

(2) Respondent shall make payment by cashier's check or money order, made payable to the Treasurer of the United States, and shall deliver the payment to:

Comptroller of the Currency, P.O. Box 979012, St. Louis, Missouri 63197-9000. The docket number of this case (AA-CE-12-04) shall be entered on the submitted payment.

(3) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818 (i) (as amended).

Article IV

OTHER PROVISIONS

- (1) By consenting to the issuance of this Order, Respondent waives:
- (a) the right to the issuance of a Notice under 12 U.S.C. § 1818(i);
  - (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) and 12 C.F.R. Part 19;
  - (c) all rights to seek judicial review of this Order;

- (d) all rights in any way to contest the validity of this Order; and
- (e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

(2) Respondent acknowledges that:

- (a) He shall not cause, participate in or authorize the Bank (or any subsidiary or affiliate thereof) to incur, directly or indirectly, any expense for the payment of the civil money penalty under this Order, or any legal (or other professional) expense relative to the negotiation and issuance of this Order except as permitted by 12 C.F.R. § 7.2014 and Part 359; and Respondent shall not, directly or indirectly, obtain or accept any indemnification (or other reimbursement) from the Bank (or any subsidiary or affiliate thereof) with respect to such amounts except as permitted by 12 C.F.R. § 7.2014 and Part 359.
- (b) He has read the premises and obligations of this Order and declares that no separate promise or inducement of any kind has been made

by the Comptroller or his agents or employees to cause or induce him or her to agree to consent to the issuance of this Order or to execute this Order.

(3) This Order constitutes a settlement of the civil money penalty proceeding arising out of the specific acts, omissions, or violations described in the Comptroller's Findings (Article II of this Order). However, the specific acts, omissions, or violations described in Article II may be used by the OCC in future enforcement actions to establish a pattern or practice of misconduct or the continuation of a pattern or practice of misconduct.

(4) This Order shall not be construed as an adjudication on the merits and, except as set forth above in paragraph (3), shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any action affecting Respondent if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(5) Respondent further agrees not to take any action or to make or permit to be made any public statement denying, directly or indirectly, the specific acts, omissions, or violations referenced in this Order, or otherwise creating the impression that this Order is without factual basis. If Respondent violates this provision, the OCC may set aside this settlement and commence administrative proceedings on the actions alleged herein.

Nothing in this paragraph shall affect Respondent's testimonial obligations.

(6) Nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and nothing herein constitutes, nor shall Respondent contend that it constitutes, a waiver of any right, power, or authority of any other representatives of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

IN TESTIMONY WHEREOF, the undersigned have hereunto set their hands.

/s/  
Bert A. Otto  
Deputy Comptroller  
Central District

2/21/2012  
Date

/s/  
John Baer

2/9/2012  
Date