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UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: MW-08-09
)	
)	
AMERICAN STERLING BANK)	Effective Date: August 20, 2008
)	
Sugar Creek, Missouri)	
OTS Docket No. 15909)	

ORDER TO CEASE AND DESIST

WHEREAS, AMERICAN STERLING BANK, Sugar Creek, Missouri, OTS Docket No. 15909 (Savings Association), by and through its Board of Directors (Board,) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Savings Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 USC § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Midwest Region (Regional Director) is authorized to issue consent Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

1. Compliance with Laws, Regulations, and Safe and Sound Policies.

The Savings Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with others or otherwise) for or toward causing, bringing about,

participating in, counseling or aiding and abetting of any violations of:

- (a) 12 CFR §§ 223.51-223.52 (Failure to comply with restrictions on transactions with affiliates);
- (b) 12 CFR § 560.93 (Failure to comply with loans-to-one-borrower limitations);
- (c) 12 CFR § 560.160 (Failure to classify assets and establish allowances in accordance with generally accepted accounting principles and the practices of the Federal banking agencies);
- (d) 12 CFR § 560.172 (Failure to obtain re-evaluation of real estate owned in accordance with regulatory requirements);
- (e) 12 CFR §§ 562.1 and 562.2 (Failure to file accurate Thrift Financial Reports (TFRs));
- (f) 12 CFR § 562.4 (Failure to obtain an audit of its financial condition within required timeframes);
- (g) 12 CFR § 563.161(a) (Failure to pursue financial polices that are consistent with the purposes of savings associations);
- (h) 12 CFR § 563.170(c) (Failure to maintain accurate and complete books and records);
- (i) 12 CFR § 568.5 and Appendix B to 12 CFR Part 570 (Failure to maintain adequate information security systems and policies);
- (j) 12 CFR § 572.9 (Failure to provide timely notice regarding flood insurance requirements; and

(k) Interagency Guidelines Establishing Standards for Safety and Soundness set forth at Appendix A to 12 CFR Part 570 with respect to Internal Controls and Information Systems (Section II.A).

2. Capital Augmentation.

(a) By August 15, 2008, the Savings Association shall have and maintain, at a minimum, a leverage ratio of 4.0 percent and a total risk-based capital ratio of 8.0 percent (as defined in 12 CFR § 565.2).

(b) By September 12, 2008, the Savings Association shall have and maintain thereafter at least a leverage ratio of 7.5 percent and a total risk-based capital of 10 percent.

(c) Without the prior written non-objection of OTS, the Savings Association shall not repurchase or redeem any of its shares of stock, or issue any subordinated debentures.

(d) If, by September 12, 2008, the Savings Association does not have at least a leverage ratio of 7.5 percent and a total risk-based capital ratio of 10 percent, then the Board shall undertake the following actions:

- (i) immediately establish a Merger and Sale Committee, comprised of at least two outside directors, to oversee efforts to sell the Savings Association to an insured depository institution or other qualified entity, to merge the Savings Association into another insured depository institution, or to sell substantially all of the assets and liabilities of the Savings Association to another insured depository institution; and
- (ii) by September 30, 2008, enter into a binding purchase agreement to sell the Savings Association to a qualified entity, merge the Savings Association into another insured depository institution, or sell substantially all of the assets and

liabilities of the Savings Association to another insured depository institution and liquidate the Savings Association. Such binding purchase agreement shall require the acquirer to file all required regulatory applications by October 31, 2008, with a consummation date of no later than the date of receipt of all required regulatory approvals or December 15, 2008, whichever date is later. For purposes of this paragraph, the term, "qualified entity", is defined to include an individual, a group of individuals, a partnership, a corporation, a depository institution holding company, or any other form of business organization that may, under applicable statutes and regulations, merge with the Savings Association or purchase all, or substantially all, assets and liabilities of the Savings Association. The terms, "insured depository institution" and "depository institution holding company", have the meanings set forth in 12 USC §§ 1813(c)(2) and (w)(1), respectively.

(e) Beginning August 15, 2008, the Savings Association Management shall, by 5 p.m. Central Time every Friday, submit to OTS a weekly status report regarding its capital raising activities, including, as appropriate, but not limited to, a demand on its holding company, American Sterling Corporation, Foothill Ranch, California (Holding Company) to maintain the Savings Association's capital at a leverage ratio of 5 percent and a total risk-based capital ratio of 10 percent; contacts with investment bankers; parties doing due diligence; offers relating to acquisitions or merger; and the execution of binding letters of intent or purchase agreements. The Savings Association shall provide to OTS an immediate notification of the termination of negotiations with each party considering the acquisition of five percent or more of a stock offering or a subordinated debt offering on the same day that it receives such notification.

(f) The Savings Association shall file a capital restoration plan by August 11, 2008 and shall comply with the capital restoration plan that is deemed acceptable by OTS.

(g) By August 12, 2008, the Savings Association shall submit a written demand to the Holding Company for a cash payment of \$2 million by August 15, 2008, in conjunction with its Loan Participation Agreement with the Holding Company, and by August 15, 2008, the Savings Association shall terminate the Participation Agreement entered into with the Holding Company after the collection of the \$2 million cash payment.

(h) Effectively immediately, the Savings Association shall not accept any non-cash contributions of any type without the prior written non-objection of the Regional Director.

(i) By the 5th day of each calendar month, the Board shall submit a report to OTS setting forth the following capital ratios: (i) total risk-based capital ratio; (ii) Tier 1 risk-based capital ratio; (iii) leverage ratio; and (iv) tangible equity ratio.

3. **Corporate Governance.**

(a) Effective immediately, the Board shall ensure that Board minutes and Board Committee minutes reflect fully, specifically, and accurately all matters presented to, or discussed by, the Board or a Board Committee at Board and Board Committee meetings, in accordance with 12 CFR § 563.170(c) and Section 310 (Oversight by the Board of Directors) of the OTS Examination Handbook). The Board and Committee minutes shall be a complete and accurate representation of meeting discussions, including dissenting opinions or votes, and the supporting documentation provided to the Board or Board Committee. The Board minutes shall reflect: (i) the Board's review and approval, disapproval, or other disposition of all significant transactions with appropriate documentation and management reports; (ii) the Board's approval of all operating policies on a regularly scheduled basis throughout the year, including, but not limited to,

the Asset/Liability Management Policy; (iii) the Board's review of deviations and exceptions from the Savings Association's policies and business plan; (iv) the Board's review of minutes of meetings of its Committees, including but not limited to, EDP Steering Committee, Audit Committee, and the ALCO Committee; and (iv) reports from management that address regulatory compliance, financial performance, information technology risks, and liquidity.

(b) Effective immediately, each Board and Committee member shall ensure that the minutes clearly and accurately reflect his or her actions, discussions, dissensions, abstentions, absences, and votes before approving the minutes. The Board and Board Committee members shall review and approve or modify the minutes of each meeting at the next Board or Board Committee meeting.

(c) The Audit Committee, which shall consist of only outside directors, shall immediately undertake the following functions:

- (i) Review the adequacy of the internal audit system, effectiveness of administrative controls and procedures, the testing of the effectiveness and maintenance of internal controls, and testing of compliance with laws and regulations;
- (ii) Review, on a monthly basis, the audit schedules, the status of pending audits, independent reviews of the interest rate risk process, loan reviews, information security audits, compliance reviews, self-assessments, and other reviews that are required by the Savings Association's policies or OTS regulation or policy issuances;
- (iii) Review management's reports on the reconciliation of the items noted in the "Other Assets" on the general ledger and any other outstanding adjustments based on external audits or OTS examinations;

(iv) Review internal audit reports, compliance reviews, self-assessments, loan reviews, external audits, IT annual audits, annual reports, and OTS examination reports (collectively referred to as external or internal review reports) within 30 days after completion of the report; and

(v) Monitor management's completion of corrective actions to deficiencies noted in external or internal review reports.

(d) Beginning with the month of November 2008, the Board shall receive and review monthly reports from the Audit Committee regarding: (i) the status of each external or internal review report; (ii) each management response to external or internal review reports, and whether such responses were timely; and (iii) the status and timeliness of resolution of deficiencies found in the external or internal review reports. The Board's review of these reports shall be fully documented in the Board minutes. By the 30th day after receipt by the Board, the Board shall submit to OTS all written reports from the Audit Committee.

4. Books and Records.

(a) Effective immediately, the Savings Association shall ensure the accuracy of its TFRs, including the Schedule CMR, as required by 12 CFR §§ 562.1 and 562.2, and file any required amendments to its TFRs.

(b) By October 31, 2008, the Board shall require management to adopt and implement procedures to ensure the filing of accurate and complete TFRs, including the Schedule CMR, as required by 12 CFR §§ 562.1 and 562.2 and to establish and maintain an accurate general ledger. These procedures shall set forth: (i) the requirements for the preparation of supporting documentation for entries on the general ledger, (ii) the review of the accuracy of the entries, and (iii) the process for resolving issues regarding the accuracy prior to the filing of the TFR.

5. Annual Audit of Financial Statements.

(a) By August 30, 2008, the Savings Association shall make all adjustments to its annual financial statement for the fiscal year ended December 31, 2007 that were requested by its auditor and submit to OTS the annual financial statement for the fiscal year ended December 31, 2007.

(b) Within 90 days after the end of its fiscal year, the Savings Association shall prepare annual fiscal year-end financial statements that conform to generally accepted accounting principles (GAAP).

(c) Within 90 days after the end of its fiscal year, the Savings Association shall obtain an audit of its annual fiscal year-end financial statements by a qualified independent public accounting firm, as required by 12 CFR § 562.4. To be qualified, the independent public accounting firm shall: (i) meet the qualification requirements of 12 CFR § 562.4 and (ii) have experience in conducting audits of OTS-regulated institutions.

(d) Except as otherwise permitted in writing by the Regional Director and notwithstanding its size, the Savings Association shall comply with 12 CFR §§ 363.2, 363.3, 363.4 (except for subsection (b) thereof), and 363.5.

(e) Before the 90th day following the end of its fiscal year, the Savings Association's annual fiscal-year-end financial statements, conforming to GAAP, shall be presented to the Audit Committee, together with communications from the Auditor. The Audit Committee shall promptly review, evaluate, and discuss the financial statements. Such review, evaluation and discussion shall be noted in, and copies of the documents reviewed attached to, the minutes of the pertinent Committee meeting. The Chairman of the Audit Committee shall submit to OTS

copies of the Committee minutes and documents reviewed by the Audit Committee with the submission of the financial statements provided for by subparagraph (f) hereof.

(f) With respect to its financial statements for fiscal year 2008 and all subsequent years, the Savings Association shall submit to OTS, by the 90th day following the end of its fiscal year, two complete copies of the signed, independent auditor's report on its annual financial statements together with copies of all related letters and reports from the independent auditor.

6. Capital Distribution.

Effective immediately, the Savings Association shall not declare any dividend or other capital distribution, as that term is defined in 12 CFR § 563.141, without the prior written non-objection of the Regional Director, as required by 12 USC § 1467a(f) and 12 CFR § 563.146. The Savings Association shall not submit a capital distribution notice or application to OTS until (a) the Savings Association obtains a leverage ratio of 7.5 percent and a total risk-based capital ratio of 10 percent and (b) the Savings Association, in a capital distribution notice or application filing, can demonstrate in a manner acceptable to the satisfaction of OTS that the Savings Association will maintain at least these capital levels after the payment of the capital distribution. The Savings Association shall submit its capital distribution notice or application to OTS no earlier than 30 days before the projected declaration of the capital distribution.

7. Growth.

Effective immediately, the Savings Association shall limit its asset growth in any quarter to an amount not to exceed net interest credited on deposit liabilities during the quarter in accordance with OTS Regulatory Bulletin 3b except as authorized in writing by the Regional Director. Any such request for authorization shall include: (a) documentation showing that the growth will be supported by a commensurate increase in the applicable tangible, leverage, and

total risk-based capital ratios (as defined in 12 CFR § 565.2); (b) a specific description setting forth the sources and uses of funds; and (c) documentation that such growth is consistent with a capital restoration or business plan that is acceptable to OTS. For purposes of the entirety of this Order, nothing shall be deemed “acceptable” to the Regional Director or OTS unless the Regional Director, the Regional Deputy Director, or Assistant Director has stated in writing that it is acceptable or has provided a written notice of non-objection to it.

8. Material Transactions.

(a) Without the prior written notice of non-objection of OTS, the Savings Association shall not directly or indirectly sell, divest, encumber, or transfer any of its assets valued more than \$400,000 individually or in the aggregate. After determining the categories of recurring transactions that require OTS’s prior review, the Savings Association may submit a request for a blanket prior written notice of non-objection for transactions in such categories.

(b) Without the prior written notice of non-objection of OTS, the Savings Association shall not expand its current product lines or business activities, offer new products or services, or engage in any new business activity. Any request from the Savings Association under this paragraph shall provide: (i) an assessment of the risks and benefits of the product or service to the Savings Association; (ii) an evaluation of the Savings Association’s staffing expertise and levels; and (iii) an analysis of the existing information technology services, internal controls, and written policies and procedures to identify, measure, monitor, and control the risks associated with the business product or service, including, but not limited to, any analysis of any vendor providing services in connection with the Savings Association’s product or service.

(c) Without the prior written notice of non-objection of OTS, the Savings Association shall not engage in, commit to, or enter into any of the following: (i) any forward commitment,

futures transaction, financial option transaction, or other financial derivative transaction as defined in 12 CFR § 563.172; (ii) any joint venture or limited partnership agreement; or (iii) any material obligation or liability, whether actual or contingent, except in the ordinary and usual course of business and provided that no such obligation or liability shall exceed five percent of leverage capital.

9. Brokered Deposits.

Effective immediately, the Savings Association shall comply with the requirements of 12 CFR § 337.6(b).

10. Liquidity.

(a) Effective immediately, the Savings Association shall provide to OTS notice of any correspondence from the Federal Home Loan Bank of Des Moines (FHLB) or the Federal Reserve Bank of Kansas City (FRB) regarding any change in its collateral requirement or lending requirement.

(b) By the 15th and 30th of each month other than February and by the 15th and 28th of February, management of the Savings Association shall submit to the Board, with a copy to OTS, a report regarding (i) its current borrowing capacity with respect to, the FHLB and the FRB, (ii) trends in deposit inflows and outflows at branches, and (iii) projected cash inflows and outflows for the succeeding four-week period.

(c) By August 15, 2008, the Board shall revise the Savings Association's Asset/Liability Management Policy to (i) require the preparation of a rolling 90-day cash flow forecast that reflects projected cash inflows and outflows in accordance with Thrift Bulletin 77; (ii) require a weekly process for measuring and monitoring net funding requirements, especially with respect

to the mortgage banking operations; and (iii) establish monthly reporting requirements to the Board.

11. Changes in Board Members and Senior Executive Officers.

The Savings Association shall comply with the prior notification requirements for changes in directors and senior executive officers set forth in 12 CFR Part 563, Subpart H.

12. Restriction in Compensation.

(a) The Savings Association shall not make any "golden parachute payment" (including severance payments and agreements relating thereto) within the meaning of 12 USC § 1828(k) and 12 CFR Part 359, except as may be permitted under the above-mentioned statute and regulation.

(b) The Savings Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director, officer, or employee of the Savings Association unless it first (a) provides a minimum of 30 days advance notice of a proposed transaction and (b) receives a written notice of non-objection from the Regional Director in accordance with Section 310 of OTS Examination Handbook and OTS Regulatory Bulletin 27b. For purposes of this Paragraph, the term, "compensation", includes any salary, bonuses, commissions, severance payments, employment benefits, or similar remuneration.

(c) Effective immediately, the Savings Association shall not, directly or indirectly, increase any salaries, bonuses, or directors' fees or make any other similar payments to the Savings Association's directors or officers without the prior written non-objection of OTS.

13. Third Party Contracts.

(a) Effective immediately, the Savings Association shall not enter into any third-party contracts, except for contracts in the normal course of business that do not exceed \$25,000,

without the prior written non-objection of the Regional Director. To obtain such written notice of non-objection, the Savings Association shall provide a 30-day advance written notice to the Regional Director of any such proposed contract. At a minimum, such notice shall set forth the Savings Association's reasons for seeking the contract and include a copy of the proposed contract that is in accordance with Section 310 of OTS Examination Handbook and OTS Thrift Bulletin 82a.

(b) Effective immediately, the Board shall ensure that any payment, transaction, obligation, agreement, or contract (including renewals and extensions thereof) made, incurred, or entered into, by the Savings Association with (a) any third party, (b) any current or former institution-affiliated party as that term is defined in 12 USC § 1813(u), or (c) any of the Savings Association's affiliates, for the sale or purchase of products or the performance of services meets the following requirements: (i) the transaction is pursuant to a written contract or agreement that is contained in the Savings Association's books and records, (ii) that no individual who has played any role in developing or advancing the transactions has done so in violation of 12 CFR § 563.200 or § 563.201; (iii) the Savings Association's books and records contain specific documentation that demonstrates that the transaction is in the Savings Association's best interest, is at arm's-length, is on terms and conditions that are fair and reasonable to the Savings Association, and is in compliance with all applicable laws, regulations, and OTS's issuances, including, but not limited to, 12 CFR Part 223, 12 CFR § 563.41, Thrift Bulletin 82a, and Section 310 of OTS Examination Handbook.

14. Asset Classification.

(a) By September 30, 2008, the Savings Association shall submit a report to the Board, setting forth the proposed general allowances for loan loss percentages and the support for the methodology.

(b) By September 30, 2008, the Board shall adopt, and the Savings Association shall implement, an acceptable, revised Asset Classification Policy, providing for the evaluation and classification of the Savings Association's assets that (i) is consistent with: 12 CFR § 560.160; Section 260 (Classification of Assets) of the OTS Examination Handbook; Section II.G of Appendix A to 12 CFR Part 570; OTS CEO Letter No. 250, entitled "Interagency Policy Statement on the Allowance for Loan and Lease Losses and Questions and Answers on Accounting for Loan and Lease Losses", dated December 13, 2006 (CEO Letter No. 250); and Financial Accounting Standards No. 5 and No. 114; (ii) approves the revised methodology for determining general allowance for loan loss percentages; (iii) requires the segregation of the held-for-sale loans that the Savings Association cannot immediately sell into categories with similar characteristics and a determination whether the Savings Association shall establish a general allowance for loan losses; (iv) requires periodic review of real estate owned by the Savings Association's management to determine accurate loss exposure; (v) requires a periodic review by the Savings Association's management regarding the adequacy of allowances for loan and lease losses (ALLL), charge-offs, and specific valuation allowances; (vi) requires accurate reporting of classified assets on Thrift Financial Reports and on the Savings Association's books and records; and (vii) requires at least a quarterly review by the Board of the adequacy of ALLL for each portfolio category in accordance with 12 CFR § 560.160(b), the Savings Association's ALLL methodology, and CEO Letter No. 250.

(c) The Savings Association shall obtain a prompt re-evaluation of real estate owned as required by 12 CFR § 560.172 and in accordance with the guidelines of 12 CFR Part 564.

15. Lending Limits/Loans to One Borrower Compliance.

By October 31, 2008, the Savings Association shall adopt and implement such enhanced policies and procedures as are necessary to ensure the Savings Association is in compliance with the loans-to-one-borrower (LTOB) limitations set forth in 12 CFR § 560.93 (LTOB Policies). Among other things, such enhanced LTOB Policies must: (a) require the implementation of LTOB-related procedures, including, but not limited to, the maintenance and updating of a list/spreadsheet with sufficient information to identify all of a borrower's/applicant's related persons, entities and interests who would be deemed to be a "borrower" within the meaning of 12 CFR § 560.93 and 12 CFR Part 32; and (b) require quarterly monitoring, updating, and documentation of the applicable amount of the Savings Association's "lending limit" for purposes of 12 CFR § 560.93 and 12 CFR Part 32.

16. Transactions with Affiliates.

(a) Pursuant to 12 CFR § 563.41(c)(4), the Savings Association shall not engage in any transaction with any affiliate in an amount exceeding \$20,000, including, but not limited to, any renewal, modification or extension of any existing transaction without the written notice of non-objection of OTS. The Savings Association's request shall include, at a minimum: (i) a description of the proposed transaction; (ii) copies of all pertinent transaction documents; (iii) a reasoned legal opinion, signed by counsel experienced in the application of transactions with affiliates rules, forming a conclusion about whether the proposed transaction comports with 12 USC §§ 371c and 371c-1, 12 CFR Part 223, and 12 CFR §§ 563.41, 563.170(c), 563.200, and 563.201; (iv) a letter signed by the Audit Committee Chairman indicating that the Audit

Committee reviewed the proposed transaction and finds that it comports with the rules governing transactions with affiliates and is in the Savings Association's best interests; and (v) a statement that any necessary approval of the FDIC, if required, was obtained.

(b) By August 29, 2008, the Savings Association shall obtain a reasoned legal opinion, prepared and signed by independent counsel who is experienced in the application of transactions with affiliates regulations and who currently is not, or has not previously performed legal services for any affiliate or institution-affiliated party of the Savings Association, regarding the mortgage representation and warranty insurance program (mortgage insurance program). The legal opinion shall specify whether the mortgage insurance program comports with 12 USC §§ 371c and 371c-1, 12 CFR Part 223, and 12 CFR §§ 563.41, 563.170(c), 563.200, and 563.201; Thrift Bulletin 82a; and the Savings Association's policies. Immediately upon receipt of the legal opinion, the Board shall address any deficiencies or violations noted in the legal opinion, including, but not limited to, exercising the Savings Association's rights to terminate the policy. By September 19, 2008, the Board shall submit to OTS a copy of the legal opinion and the corrective action plan adopted, if any, by the Board with respect to the mortgage insurance program.

17. Interest Rate Risk Management.

By November 30, 2008, the Savings Association shall obtain, through an independent and qualified third party, a review of its interest rate risk management and an assessment of the Savings Association's internal model assumptions and methodologies for assessing interest rate risk, along with a reconciliation of any material differences with the OTS model. Within the 15 days of receipt of the report, the Board shall review the report and adopt any appropriate policy and procedural changes and a reporting protocol to ensure that the Board is promptly informed of

each change in the Savings Association's interest rate risk profile, in accordance with 12 CFR § 563.176 and Thrift Bulletin 13a. Management shall promptly implement all policy and procedural changes. The Board's review of the independent report and the ALCO Committee's report on changes in the Savings Association's interest rate risk profile shall be fully documented in the Board minutes in accordance with paragraph 3 of this Order.

18. Investment Policies.

By November 30, 2008, the Board shall adopt, and management shall implement, a revised Investment Policy to: (a) reflect the Board's approval of the appropriate limits on investment securities and financial derivatives in accordance with the requirements of 12 CFR § 563.172; (b) require a formal review of the Savings Association's compliance with credit risk limits; and (c) require an annual review of audited financial statements of proposed counter parties by the Board, with documentation of such review set forth in the minutes of the Board.

19. Information Security Program.

(a) By August 29, 2008, the Board shall adopt, and management shall implement policies and procedures to ensure that its use of the FedLine FT application complies with the guidelines set forth in the FFIEC IT Examination Handbook-Fed Line, dated August 2003. These procedures shall address, at a minimum: (i) the establishment of dual controls for the FedLine function, (ii) the use of security tokens, (iii) enhancement of the security settings, and (iv) correction of findings in its most recent independent audit and the OTS April 9, 2007 examination report.

(b) By September 30, 2008 and at least annually thereafter, management shall complete and submit to the Board a comprehensive risk assessment covering the Savings Association's operations, as required by Appendix B to 12 CFR Part 570. The risk assessment shall include:

(i) the guidelines set forth in OTS CEO Letter No. 231, entitled “Compliance Guide: Interagency Guidelines Establishing Information Security Standards,” dated December 14, 2005, transmitting “Interagency Guidelines Establishing Information Security Standards—Small Entity Guide” (CEO Letter No. 231); (ii) identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of customer information or customer information systems through web access and electronic banking applications; (iii) assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of customer information; (iv) assess the sufficiency of policies, procedures, customer information systems, and other arrangements such as authentication in place to control the risks associated with the sensitivity of customer information; (v) apply each of the foregoing to the Savings Association’s disposal of customer information; and (vi) address the reasonably foreseeable risks to customer information stored in systems owned or managed by service providers and customer information disposed by the Savings Association’s service provider.

(c) By November 30, 2008, the Board shall adopt, and management shall implement a revised written Business Continuity Plan for the Savings Association that: (i) addresses the applicable guidelines in the FFIEC IT Examination Handbook-Business Continuity Planning Booklet, dated March 2003, as issued by OTS CEO Letter No. 269, dated March, 2008 (FFIEC Business Continuity Booklet), and Section 341 of the OTS Examination Handbook; (ii) incorporates the mortgage banking operations; (iii) integrates the FedLine process; (iv) requires periodic independent testing in accordance with the guidelines in the FFIEC Business Continuity Booklet; (v) designates the Savings Association’s employees with the responsibility for verification of the prompt correction of all deficiencies, with periodic status reports to the Board;

and (vi) requires periodic review and revision by the Board to address deficiencies noted in independent tests and other audits and changes in operations.

(d) By December 31, 2008, and no less than annually thereafter, the Savings Association shall obtain a penetration test of its network and all web-based application by a qualified independent party.

(e) By December 15, 2008, and no less than annually thereafter, the Savings Association shall obtain an independent enterprise-wide test of its Business Continuity Plan in accordance with the guidelines in the FFIEC Business Continuity Booklet, and Section 341 of the OTS Examination Handbook. Management shall report the results of this test to the Board, with a copy to OTS. The Board's review of the business continuity test shall be set forth in the Board minutes.

(f) By December 31, 2008, and thereafter at least annually, management shall submit a report to the Board that addresses at least the following matters: (i) whether the Savings Association's Information Security Program complies with 12 CFR § 568.5 and Appendix B to 12 CFR Part 570; (ii) the Savings Association's comprehensive risk assessment; (iii) risk management and control decisions and documentation of whether the internal controls are satisfactory to protect confidential customer information security; (iv) results of penetration testing; (v) compliance with the requirements for disposal of customer information as required by Appendix B to 12 CFR Part 570; (vi) any vendor management issues or service provider arrangements, including compliance with the requirements of Section II.D of Appendix B and Section I.C of Supplement A to Appendix B to 12 CFR Part 570; (vii) results of testing of the Savings Association's Information Security Program, the FedLine policy and procedures, and the business continuity plans for the Savings Association and its data processor server; (viii) any

security breaches or violations, occurrences of any incidents within the scope of Supplement A to Appendix B to 12 CFR Part 570, and management's responses; (ix) the status of correction of each deficiency noted in any internal audit, independent audit, or OTS examination report; (x) any recommendation for changes in the Savings Association's Information Security Program; (xi) any new regulatory requirements and the status of the Savings Association's compliance efforts; (xii) whether the employee(s) with information technology functions have adequate training, resources, and time to perform such functions; and (xiii) whether the employees received adequate training regarding the safeguarding of customer information. The Board's review of the management reports shall be documented in the Board minutes in accordance with paragraph 2 hereof.

(g) By January 31, 2009, the Board shall adopt, and management shall implement, a revised Information Systems Policy. The revised Information Systems Policy shall address, at a minimum, the following: (i) the risk assessment prepared pursuant to the requirements and guidelines in Appendix B to 12 CFR Part 570, Section 341 of the OTS Examination Handbook, and OTS CEO Letter No. 231, to the extent required or appropriate; (ii) the incorporation of the revised written business continuity plan required by paragraph 19(c) hereof; (iii) the appointment of members of the EDP Steering Committee; (iv) the guidelines for use of the FedLine applications and the management of security tokens; (v) changes to implement corrective actions addressing the deficiencies noted in the OTS reports of examination, internal reviews, or independent audits; (vi) incorporation of any recommendation from the EDP Steering Committee; and (vii) requirement of at least annual reports from management that address, at a minimum, the requirements of paragraph 19(f) hereof and Appendix B to 12 CFR Part 570.

20. Fair Lending Compliance Risk Program.

By December 31, 2008, the Board shall adopt, and management shall implement a written Fair Lending Compliance Risk Program. The Fair Lending Compliance Risk Program shall require fair lending detective controls, appropriate management information systems, quality or compliance reviews, audits, self-testing or self-evaluation of specific product lines, regression analysis, statistical modeling, and, as appropriate, comparative file reviews. The Fair Lending Compliance Risk Program shall be designed to ensure compliance with the Equal Credit Opportunity Act, 15 USC §§ 1601 et seq., and Regulation B of the Board of Governors of the Federal Reserve System, 12 CFR Part 202.

21. Compliance with the Order.

(a) By 30 calendar days after the end of each calendar month, the Board of the Savings Association, beginning with the month ending August 31, 2008, shall adopt and submit to OTS a board resolution (Compliance Resolution), formally resolving that, following a diligent inquiry of relevant information (including a report from the Savings Association's management regarding the Savings Association's compliance with each provision of this Order), to the best of its knowledge and belief, during the immediately preceding month, Savings Association complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist; and identify all notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. The Savings Association shall provide to OTS a certified true copy of each Compliance Resolution, as adopted by its Board within five (5) calendar days of the meeting of its Board at which the Compliance Resolution was adopted.

(b) The minutes of the meetings of the Board of the Savings Association shall set forth the following information with respect to the adoption of the Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining. The Board, by virtue of the submission of a certified true copy of such Compliance Resolution by the Board to OTS, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as noted therein.

(c) The Savings Association's failure to comply with a plan, policy, or program required by this Order shall constitute a violation of this Order. While this Order remains outstanding and effective, any plans, policies, and procedures that have been submitted to OTS for its approval or non-objection, and have been approved or deemed to be acceptable or non-objectionable by OTS, shall not be amended or rescinded without the prior written approval of OTS.

22. Effective Date, Incorporation of Stipulation.

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

23. Duration.

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

24. Time Calculations.

(a) Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted; and

(b) The Regional Director, or an OTS authorized representative may extend any of the deadlines set forth in the provisions of this Order upon written request by the Savings Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

25. Submissions and Notices.

(a) All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

(b) Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (i) To OTS:
Attn: Gary Scott, Assistant Director
Office of Thrift Supervision
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062
Phone: (972) 277-9623
Fax: (972) 277-9630

- (ii) To the Savings Association:
Michael D. Thompson
Co-Chief Executive Officer
American Sterling Bank
11206 East Twenty-Four Highway
Sugar Creek, MO 64054-0000
Phone: (816) 521-2500
Fax: (816) 254-0200

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: MW-08-09
)	
AMERICAN STERLING BANK)	Effective Date: August 20, 2008
)	
Sugar Creek, Missouri)	
OTS Docket No. 15909)	

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Midwest Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed American Sterling Bank, Sugar Creek, Missouri, OTS Docket No. 15909 (Savings Association) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Savings Association pursuant to 12 USC § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Savings Association desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph

American Sterling Bank
Sugar Creek, Missouri
OTS Docket No. 15909

I below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) The Savings Association is a “savings association” within the meaning of 12 USC § 1813(b) and 12 USC § 1462(4). Accordingly, the Savings Association is an “insured depository institution” as that term is defined in 12 USC § 1813(c); and

(b) Pursuant to 12 USC § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Savings Association is subject to the authority of OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 USC § 1818(b).

2. OTS Findings of Fact.

During its ongoing examination of the Savings Association, which began on June 30, 2008, OTS found that the Savings Association engaged in unsafe and unsound banking practices, including, but not limited to, the maintenance of inaccurate books and records and the failure of management to implement fully some of the Savings Association’s policies. OTS also found that the Savings Association failed to comply with requirements of various laws and regulations, including:

(a) 12 CFR §§ 223.51-223.52 (Failure to comply with restrictions on transactions with affiliates);

(b) 12 CFR § 560.93 (Failure to comply with loans-to-one-borrower limitations);

(c) 12 CFR § 560.160 (Failure to classify assets and establish allowances in accordance with generally accepted accounting principles and the practices of the federal banking agencies);

- (d) 12 CFR § 560.172 (Failure to obtain the re-evaluation of real estate owned in accordance with regulatory requirements);
- (e) 12 CFR §§ 562.1 and 562.2 (Failure to file accurate Thrift Financial Reports);
- (f) 12 CFR § 562.4 (Failure to obtain an audit of its financial conditions within the required timeframes);
- (g) 12 CFR § 563.161(a) (Failure to pursue financial polices that are consistent with the purposes of savings associations);
- (h) 12 CFR § 563.170 (c) (Failure to maintain accurate and complete books and records);
- (i) 12 CFR § 568.5 and Appendix B to 12 CFR Part 570 (Failure to maintain adequate information security systems and policies);
- (j) 12 CFR § 572.9 (Failure to provide timely notice regarding the flood insurance requirement; and
- (k) Interagency Guidelines Establishing Standards for Safety and Soundness set forth at Appendix A to 12 CFR Part 570 with respect to Internal Controls and Information Systems (Section II.A).

3. Consent.

The Savings Association consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Savings Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. Finality.

The Order is issued by OTS under 12 USC § 1818(b) and upon the Effective Date it shall

be a final order, effective and fully enforceable by OTS under the provisions of 12 USC § 1818(i).

5. Waivers.

The Savings Association waives the following:

(a) The right to be served with a written notice of OTS's charges against it as provided by 12 USC § 1818(b) and 12 CFR Part 509;

(b) The right to an administrative hearing of OTS's charges as provided by 12 USC § 1818(b) and 12 CFR Part 509;

(c) The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 USC § 1818(h), or otherwise to challenge the validity of the Order; and

(d) Any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. OTS Authority Not Affected.

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent OTS from taking any other action affecting the Savings Association if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law, including, but not limited to, actions in response to additional findings from the ongoing June 30, 2008 OTS examination.

7. Other Governmental Actions Not Affected.

The Savings Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, with respect to the Savings Association only, consistent with Paragraph 6 above, and does not otherwise release,

discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Savings Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than OTS.

8. Miscellaneous.

(a) The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

(b) If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

(c) All references to OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

(d) The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

(e) The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(f) The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Savings Association to the issuance of the Order and

the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Stipulation shall be delivered to OTS, along with the executed original(s) of this Stipulation.

[Remainder of Page Intentionally Left Blank]

