

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: MW-08-13
)	
AMERICAN STERLING CORPORATION)	Effective Date: August 26, 2008
)	
Foothill Ranch, California)	
OTS Docket No. H3361)	

ORDER TO CEASE AND DESIST

WHEREAS, American Sterling Corporation, Foothill Ranch, California, OTS Docket No. H3361 (Holding Company), 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 Holding Company, 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 holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

1. Transactions with Subsidiary Insured Subsidiary Bank.

(a) Effective immediately, the Holding Company shall not engage, directly or indirectly through its non-bank subsidiaries, in any transaction, including, but not limited to, the renewal or modification of any existing agreements, contracts, or arrangements, with its subsidiary insured depository institution, American Sterling Bank, Sugar Creek, Missouri (Savings Association) in an amount greater than \$20,000, unless the Savings Association and the Holding Company have received a prior written notice of non-objection from OTS.

(b) Effective immediately, the Holding Company shall not take any action, directly or indirectly, that would cause the Savings Association to violate any applicable statute, regulation, or regulatory policy statement; OTS directives; or the Savings Association's written policies.

(c) Effective immediately, the Holding Company shall ensure that the Savings Association complies with 12 USC §§ 371c and 371c-1, 12 CFR Part 223, and 12 CFR § 563.41.

(d) Effective immediately, the Holding Company shall cause the Savings Association to ensure its books and records are accurate and complete, including but not limited to, all transactions with its affiliates.

(e) Effective immediately, the Holding Company shall not take any action that affects the separate corporate existence of the Savings Association.

(f) By August 15, 2008, the Holding Company shall make the appropriate accounting adjustments on its HC-Thrift Financial Report with respect to intercompany receivables and other intercompany transactions. By August 15, 2008 the Holding Company shall file accurate and timely financial reports as required by 12 CFR § 584.1.

(g) By August 11, 2008, the Holding Company shall fully reimburse, in cash, the Savings Association for all outstanding expenses that are attributed to the Holding Company and non-bank subsidiaries.

2. Capital Augmentation Plan.

(a) By August 11, 2008, the Board shall prepare, and submit for OTS review an acceptable written plan (Capital Augmentation Plan) to ensure that the Savings Association has and maintains: (i) at least a leverage ratio and a total risk-based capital ratio (as defined in 12 CFR § 565.2) of 4 percent and 8 percent, respectively, by August 15, 2008; and (ii) at least a leverage ratio of 7.5 percent and a total risk-based capital ratio of 10 percent by September 12, 2008. After receiving a written notice of non-objection from OTS (with such revisions as may be required by OTS), the Board and Holding Company management shall immediately implement and adhere to the Capital Augmentation Plan. Such Capital Augmentation Plan shall be incorporated into this Order, and any deviation from such Capital Augmentation Plan shall be a violation of this Order.

(b) At a minimum, the Capital Augmentation Plan shall: (i) establish the amount of additional capital that is needed to reach the prescribed levels in subparagraph (a) of this paragraph and to maintain, at a minimum, the prescribed level in paragraph 2(a)(ii); (ii) detail the method by which the additional capital will be raised; and (iii) set forth the specific timeframes for accomplishing the capital raising actions.

(c) By August 15, 2008, the Holding Company shall make a cash capital contribution into the Savings Association to raise its leverage capital and total risk-based capital ratios to at least 4 percent and 8 percent, respectively.

(d) By August 15, 2008, the Holding Company shall make a cash payment of \$2 million to the Savings Association and terminate the Participation Agreement entered into by the Savings Association.

(e) Effective immediately, the Holding Company shall not declare or pay any dividends to any holders of its equity securities and shall not, directly or indirectly, purchase or redeem any shares of its equity securities unless either: (i) the Holding Company is in full compliance with an acceptable Capital Augmentation Plan submitted and adopted pursuant to this Paragraph 2 hereof and the Savings Association has at least leverage and total risk-based capital ratios of 7.5 percent and 10 percent, respectively; or (ii) such action is pursuant to a written notice of non-objection from the Regional Director permitting the Holding Company to declare and pay dividends or to purchase or redeem shares of its equity securities.

(f) If, by September 12, 2008, the Savings Association does not have at least the leverage ratio and total risk-based capital ratios of 7.5 percent and 10 percent, respectively, then by September 30, 2008, the Board shall enter into a legally binding agreement to: (i) sell the Savings Association to an insured depository institution or other qualified entity, (ii) merge the Savings Association into another insured depository institution, or (iii) sell substantially all of the assets and liabilities of the Savings Association to another insured depository institution. Such purchase agreement shall require the acquirer to file all required regulatory applications by no later than October 31, 2008 and shall provide for 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, or any other form of business organization that may, under applicable statutes and regulations, merge with the Savings

Association or purchase all of, or substantially all assets and liabilities of, the Savings Association. The terms, “insured depository institution” and “depository institution holding company”, shall have the meanings set forth in 12 USC §§ 1813(c)(2) and (w)(1), respectively.

(g) By August 11, 2008, the Holding Company shall provide to OTS and the Savings Association the guarantee required by OTS pursuant to 12 USC § 1831o and 12 CFR Part 565 and immediately thereafter comply with such guarantee.

(h) Beginning August 8, 2008, Holding Company 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, contacts with investment bankers, parties doing due diligence, offers relating to an acquisition or a merger, and the execution of binding letters of intent or purchase agreements. The Holding Company shall provide to OTS an immediate notification of the termination of negotiations with each party considering the acquisition of five percent or more of the stock of the Holding Company or a subordinated debt offering on the same day that it receives such notification.

3. Limitation of Debt.

Effective immediately, the Holding Company and its consolidated non-financial subsidiaries shall obtain the prior written notice of non-objection of OTS at least **30 calendar days** prior to issuing any debt; increasing any current lines of credit; guaranteeing the debt of any entity; or entering into a commitment for debt. The term, “debt”, includes, but is not limited to hybrid capital instruments such as subordinated debt or trust preferred securities. For purposes of this paragraph, the term, “debt”, does not include liabilities incurred in the normal course of business to acquire goods and services and that are normally recorded as accounts payable under generally accepted accounting principles. For purposes of this Order, the term, “non-financial

subsidiaries”, is defined to include any “subsidiary”, as that term is defined at 12 CFR § 583.23, excluding (i) the Savings Association, (ii) any insurance company regulated as such by a state insurance commissioner (or similar state government authority) as its functional regulator (regulated insurance company), and (iii) any subsidiary of the Savings Association or a regulated insurance company.

4. Liquidity.

(a) By August 29, 2008, Holding Company management shall prepare and submit to the Board, a written liquidity report setting forth short-term and long-term analyses of sources of liquidity and the cash flow, both into and out of the Holding Company, excluding the subsidiary regulated insurance companies as defined in paragraph 3. At a minimum, this report shall reflect a process of regularly measuring and monitoring liquidity that includes the forecast of cash inflows and outflows over varying time periods to identify potential cash imbalances under various scenarios and stress testing that ensures there are adequate funds in operating accounts to pay the obligations of the Holding Company in a timely manner.

(b) By September 5, 2008, the Board shall submit to OTS a written monthly detailed cash flow report that sets forth the projected cash inflows, cash outflows, and cash balances for the succeeding 12-month period. All subsequent monthly cash flow reports shall be submitted by the Board to the OTS by the 5th day after the end of each calendar month.

(c) Effective immediately, the Holding Company shall initiate collection efforts on all delinquent loans made or purchased by the Holding Company and all loans made by the Holding Company to directors and officers of the Holding Company and its non-bank subsidiaries.

5. Notice of Change of Director or Senior Executive Officer.

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

6. Restrictions on Golden Parachute Payments and Compensation.

(a) The Holding Company is restricted from making 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 Holding Company shall not, directly or indirectly, increase any salaries, bonuses, or directors' fees or make any other similar payments, including, but not limited to, the payment of indebtedness, to or on behalf of the Holding Company's directors or senior executive officers as that term is defined in 12 CFR § 563.555 without the prior written non-objection of OTS.

7. Compliance with Order.

(a) By 30 calendar days after the end of each calendar month, the Board of the Holding Company, 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 reports of management), to the best of its knowledge and belief, during the immediately preceding month, the Holding Company 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 written notices of exemption or non-objection issued by OTS that were outstanding as of the date of its adoption. The Holding Company 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 Holding Company 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.

8. 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.

9. 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.

10. 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, the Regional Deputy Director, or Assistant Director may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

11. 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; and

(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:

Regional Director
Attn: Gary Scott, Assistant Director
Office of Thrift Supervision
225 E. John Carpenter Freeway, Suite 500
Irving, TX 75062
Phone: (972) 277-9548
Fax: (972) 277-9553

(ii) To the Holding Company:

Michael D. Thompson
Chairman and President
American Sterling Corporation
27422 Portola Parkway, Suite 100
Foothill Ranch, California 92610
Phone: (949) 587-3425
Fax: (949) 587-3421

12. No Violations Authorized.

Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers or employees to violate any law, rule, or regulation.

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: MW-08-13
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AMERICAN STERLING CORPORATION)	Effective Date: August 26, 2008
)	
Foothill Ranch, California)	
OTS Docket No. H3361)	
)	

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 Corporation, Foothill Ranch, California, OTS Docket No. H3361 (Holding Company), the holding company of 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 Holding Company 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 holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company 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 1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. Jurisdiction.

(a) the Holding Company is a “savings and loan holding company” within the meaning of 12 USC § 1813(w) and 12 USC § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 USC § 1813(w) (1);

(b) Pursuant to 12 USC § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease-and-desist proceeding against a savings and loan holding company in the same manner and to the same extent against a savings association for regulatory violations and unsafe and unsound acts or practices; and

(c) 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 and loan holding company. Therefore, the Holding Company 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.

Based on OTS’s off-site monitoring and the findings to date during its June 30, 2008 examination of the Holding Company, OTS found that the Holding Company engaged in unsafe and unsound practices. Specifically, the Holding Company (a) failed to establish and implement sound financial policies as needed; (b) failed to maintain capital at the Savings Association; and (c) engaged in transactions with the Savings Association that caused it to violate 12 USC §§ 371c and 371c-1, 12 CFR Part 223, 12 CFR § 563.41, and 12 CFR § 563.170(c).

3. Consent.

The Holding Company consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Holding Company 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 Holding Company 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 Holding Company 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 relating to additional findings from the ongoing June 30, 2008 OTS examination.

7. Other Governmental Actions Not Affected.

The Holding Company 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 Holding Company 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 Holding Company 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 Holding Company 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.

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WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

Accepted by:

AMERICAN STERLING CORPORATION
Foothill Ranch, California

OFFICE OF THRIFT SUPERVISION

By: /S/
Michael D. Thompson
Chairman of the Board and
President

By: /S/
C. K. Lee
Regional Director, Midwest Region

Date: 8/18/08

Date: See Effective Date on page 1

 /S/
Lawrence K. Dodge
Chief Executive Officer and Director

 /S/
John W. Meara, Director