

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

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| In the Matter of: |) | |
| |) | |
| American Sterling Bank |) | Order No: MW-09-02 |
| Sugar Creek, Missouri |) | |
| |) | Effective Date: January 15, 2009 |
| OTS No. 15909 |) | |
| _____ |) | |

PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, American Sterling Bank, Sugar Creek, Missouri (Institution), is a federally chartered savings association that is regulated by the Office of Thrift Supervision (OTS); and

WHEREAS, Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, and Part 565 of the OTS Regulations, 12 C.F.R. Part 565, require institutions that are undercapitalized to file a capital restoration plan specifying the steps the institution will take to become at least adequately capitalized; and

WHEREAS, Section 38 of the FDIA, 12 U.S.C. § 1831o, requires the OTS to take prompt corrective action to resolve the problems of insured savings associations at the least possible long-term loss to the deposit insurance fund; and

WHEREAS, Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, provides for OTS's issuance of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital; and

WHEREAS, OTS, on July 29, 2008, notified the Institution that it was undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA; and

WHEREAS, OTS, on August 1, 2008, notified the Institution that it was critically undercapitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA, 12 U.S.C. § 1831o; and

WHEREAS, after capital infusion by American Sterling Corporation, Foothill Ranch, California (ASC). OTS on October 10, 2008, notified the Institution that it was significantly under capitalized for purposes of the prompt corrective action provisions of Section 38 of FDIA 12 U.S.C. § 1831o; and

WHEREAS, the Institution also is not in compliance with the capital standards required by Section 5(t) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(t); and

WHEREAS, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), requires any institution not in compliance with the capital standards to comply with a capital directive issued by OTS; and

WHEREAS, on August 11, 2008, the Institution submitted to OTS a capital restoration plan and revised capital restoration plans on August 20, 2008 and September 30, 2008 (Capital Plan); and

WHEREAS, OTS has considered the Institution's capital deficiency and the Capital Plan, in accordance with Section 567.5 of the OTS Regulations, 12 C.F.R. § 567.5, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2), and OTS has determined that the Capital Plan is not acceptable under Section 567.50 of the OTS Regulations, 12 C.F.R. § 567.50, and Section 38(e)(2) of FDIA, 12 U.S.C. § 1831o(e)(2) as set forth in a letter to the Institution, dated December 31, 2008; and

WHEREAS, the Institution and its Board of Directors, by execution of the attached Stipulation and Consent (Stipulation) to the issuance of this Directive, the terms of which are incorporated herein by this reference, have stipulated and consented to the issuance of the Directive; and

WHEREAS, Section 565.7 of the OTS Regulation 12 C.F. R. § 565.7, provides for the issuance by OTS of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital; and

WHEREAS, OTS having issued a Notice of Intent to issue this Directive on December 31, 2008 and having considered the responses thereto filed by the Institution, has determined to issue this Directive in order to resolve the Institution's problems at the least long term cost to the deposit insurance fund, thereby effectuating the purpose of Section 38 of FDIA, 12 U.S.C. § 1831o; and

WHEREAS, OTS must impose one or more of the presumptive restrictions set forth in 12 U.S.C. § 1831o, especially 12 U.S.C. § 1831o(f)(3) and (4) if (1) the institution is significantly or critically undercapitalized, (2) is undercapitalized and did not submit an acceptable capital restoration plan, or (3) the institution fails to implement an approved plan; and critically undercapitalized institutions are also subject to restrictions in 12 U.S.C. § 1831o(i); and

NOW THEREFORE, pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, including but not limited to subsection (f) thereof, Section 5(t)(6)(B)(ii) of HOLA, 12 U.S.C. § 1464(t)(6)(B)(ii), and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, OTS directs the Institution and its Board of Directors to do the following:

PART I – IMPROVING CAPITAL

Section 1.1 Required Merger, Acquisition, or Sale

Pursuant to 12 U.S.C. § 1831o(f)(2)(A)(iii), the Institution must be recapitalized to meet at least the requirements of Section 1.2(a) hereof by (i) merging with or being acquired by another financial institution, financial holding company, or other entity; (ii) the sale of all or substantially all of the Institution's assets and liabilities to another financial institution, financial institution holding company, or other entity; or (iii) accepting the injection of capital into the Institution by its holding company or other party, in any of the foregoing instances, prior to January 31, 2009. The Institution's

management and Board of Directors shall take appropriate steps to accomplish such merger, acquisition, sale, or injections of capital. For purposes of this Directive, “other entity” may include but is not limited to 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 or acquire the Institution or purchase all or substantially all of its assets and liabilities.

Section 1.2 Required Recapitalization

- A. Pursuant to 12 U.S.C. §§ 1831o(f)(2)(A) and 1831o(f)(2)(J), and subject to subsection (B) of this Section 1.2 hereof, and all applicable laws and regulations, the Institution is directed to increase the amount of capital to a level sufficient to restore the Institution to an “adequately capitalized” capital category prior to January 31, 2009, and thereafter maintain, at a minimum, the following capital levels:
- (i) Total Risk-Based Capital Ratio of 8%;
 - (ii) Tier 1 Core Risk-Based Capital Ratio of 8%; and
 - (iii) Leverage Ratio of 4%.
- B. The Institution shall not issue any securities or enter into any agreement or understanding to merge, consolidate, or otherwise be acquired, or enter into any agreement or understanding to reorganize unless (i) the Institution has provided OTS with prior written notice of its intention to take such action; and (ii) following such notice, OTS has provided the Institution with prior written notice of its nonobjection to the proposed action.

Section 1.3 Efforts to Obtain Capital

The Board of Directors of the Institution shall at all times make diligent efforts to cause the Institution to comply with Sections 1.1 and 1.2 hereof. For purposes of this Directive, diligent efforts to seek capital shall include, but not be limited to, the following:

- A. Authorize and direct appropriate Institution officers to take appropriate actions consistent with the Institution’s obligations under said Sections 1.1 and 1.2, which include, but are not limited to, taking all reasonably practicable steps to remove impediments to increasing capital;
- B. Cause the Institution to hire such professionals as are necessary and appropriate to fulfill the Institution’s obligations under Sections 1.1 and 1.2;
- C. Cause the Institution to share appropriate information about itself with potential acquirors, merger partners and purchasers, including, but not limited to, any such potential acquiror or merger partner or purchaser identified or referred to the Institution by OTS or the Federal Deposit Insurance Corporation (FDIC); and
- D. Inform OTS and FDIC, in writing by 5 pm Central Time every Friday of (i) all efforts the Institution has made to seek or increase capital; (ii) status of its efforts to merge with or be acquired by another financial institution, financial institution holding company or

other entity, or sell all or substantially all of the Institution's assets and liabilities to another financial institution, financial institution holding company or other entity; and (iii) all expressions of interest by prospective investors, acquirors, or merger including referrals from OTS or FDIC candidates.

OTS requires this action, pursuant to 12 U.S.C. § 1831o(f)(2)(J), having determined that such actions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.4 Prior Notice Required; Change in Status

- A. The Institution shall not issue any securities, enter into any agreement or understanding to merge, consolidate, sell all or substantially all of its assets or liabilities, enter into any agreement of understanding to reorganize, or otherwise be acquired unless: (i) the Institution has provided OTS with prior written notice of its intention to take such action; and (ii) following such notice, OTS has provided the Institution with prior written notice of its non-objection to the proposed action by the Institution. OTS directs this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon OTS's determination that such action will better carry out the purposes of 12 U.S.C. § 1831o.
- B. Until notified that it is not "critically undercapitalized" pursuant to 12 C.F.R. § 565.3, and thereafter upon notification that it is "critically undercapitalized" pursuant to 12 C.F.R. § 565.3, the Institution shall cooperate fully with FDIC efforts to avoid a loss or otherwise minimize exposure to the insurance fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents and service providers, accommodating on-site visits, and permitting FDIC to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Institution in anticipation of the possible appointment of FDIC as conservator, receiver, or other legal custodian. Nothing herein shall be interpreted to preclude such cooperation with FDIC at any time prior to such time as the Institution may become "critically undercapitalized," provided it is not already "critically undercapitalized."
- C. OTS directs these actions pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon a determination by OTS that such action will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.5 OTS Marketing Efforts

In accordance with Paragraph 5 of the accompanying Stipulation, the Institution agrees to the following in connection with OTS's efforts to assist in the possible merger, acquisition or sale of the Institution by or to qualified parties, both until notified that it is not "critically undercapitalized" and, thereafter, upon notification that the Institution is "critically undercapitalized":

- A. OTS, acting through its authorized representatives, is hereby authorized to market the Institution to prospective acquirors, merger partners or buyers (hereinafter, buyers) using OTS's marketing procedures and to receive and evaluate all offers submitted for acquisition of the Institution, provided, however that upon the Regional Director's written determination, in his sole discretion, that the Institution's capital position, pursuant to 12 U.S.C. § 1831o and

all applicable regulations, is at least “adequately capitalized”, the Institution’s consent to the appointment of a conservator, receiver, or other legal custodian, in accordance with Paragraph 4 of the Stipulation, as well as the Institution’s agreement to approve any offer, as outlined in Section 1.5(D) below, shall be suspended;

- B. The Board of Directors shall direct the Institution and its agents and employees to take all reasonable steps to assist OTS in marketing the Institution. Such assistance shall include, but not be limited to, preparing an updated marketing package and assisting eligible buyers in conducting due diligence examinations of the Institution;
- C. OTS, acting through its authorized representatives, is permitted to negotiate a plan of merger, consolidation, transfer of the Institution’s assets and liabilities, reorganization, acquisition or capital infusion (Plan of Combination or Reorganization) on behalf of the Institution, and to draft proposed documents for any such Plan of Combination or Reorganization;
- D. The Board of Directors shall immediately take under consideration any reasonable offer to enter into a Plan of Combination or Reorganization (hereinafter collectively, Offer) that is forwarded and recommended to the Board of Directors by OTS, and shall promptly approve any such Offer that protects the interests of the depositors, creditors and borrowers of the Institution;
- E. The Board of Directors shall recommend to the shareholders of the Institution any Offer approved by the Board of Directors pursuant to subparagraph (D) above if approval of the Offer by the shareholders, or any portion thereof, is legally required; and
- F. Upon receipt of any necessary approvals pursuant to subparagraphs (D) and (E) above and at the direction of OTS, the Institution shall take all corporate actions necessary to accept the Offer and consummate the Plan of Combination or Reorganization.

OTS is imposing these provisions pursuant to 12 U.S.C. § 1831o(f)(2)(J) based on its determination that these provisions will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.6 OTS Determination and FDIC Concurrence Required

If the Institution remains critically undercapitalized for more than 90 days, timeframes set forth in Sections 1.1 and 1.2 hereof and related reports required under subsection 1.3(D) are subject to a determination by OTS and concurrence by FDIC under the standards of 12 U.S.C. § 1831o(h)(3), provided, however, that such timeframes remain in full force and effect until further notice by OTS.

Section 1.7 Reports of Compliance

- A. No later than ten (10) days following the end of each calendar month, management of the Institution shall prepare, and the Board of Directors of the Institution shall review, a written report concerning the Institution’s compliance with the requirements of this Directive during the preceding month. The report and review shall include verification of the Institution’s prompt corrective action capital category and confirmation that the Institution is in compliance with: (i) all restrictions that apply automatically to an institution in that category,

and (ii) with the other restrictions and requirements contained in this Directive. The Institution shall document this review in the minutes of the meeting of the Board of Directors. All documentation considered by the Board of Directors in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

- B. By no later than 15 days following the end of each calendar month, the Institution shall submit the following documents to OTS in a format acceptable to OTS, which may include reports to and responses from the Board of Directors documented in the Board of Directors meeting minutes:
- i. variance reports for capital levels established by Section 1.1 hereof and each of the operating restrictions imposed in Part II of this Directive;
 - ii. confirmation of the Institution's compliance with this Directive or a description of any instance of noncompliance with any of the Institution's obligations under this Directive and the specific measures undertaken to cure such noncompliance; and
 - iii. if requested, copies of the minutes of the Institution's Board of Directors supporting actions taken to comply with Sections 1.1 and 1.2 of this Directive.
- C. OTS directs the actions required by this Section 1.7 pursuant to 12 U.S.C. § 1831o(f)(2)(J), and based upon a determination by OTS that such action will better carry out the purposes of 12 U.S.C. § 1831o.

Section 1.8 Adequate Progress

If OTS, in its sole discretion, determines that the Institution is failing to make adequate progress toward achieving the requirements set forth in Sections 1.1 and 1.2 above, OTS may take such further supervisory, enforcement, or resolution action as it deems appropriate.

PART II – OPERATING RESTRICTIONS

MANDATORY RESTRICTIONS

Section 2.1 Compliance with Mandatory Restrictions

- A. The Institution shall comply with all of the mandatory prompt corrective action provisions set forth in 12 U.S.C. § 1831o and 12 C.F.R. § 565.6 that automatically apply to the Institution based upon the Institution's prompt corrective action capital category. These provisions are set forth as follows:
- i. **Undercapitalized Institutions**
 - (a) No capital distributions may be made without the prior written approval of OTS if:
 - (i) the Institution is not adequately capitalized, or
 - (ii) after making the distribution, the Institution would be undercapitalized. 12 U.S.C. § 1831o(d)(1); 12 C.F.R. §§ 565.6(a)(1) and (a)(2)(i).

- (b) No management fees may be paid to any person having control of the Institution if:
 - (i) the Institution is not adequately capitalized, or (ii) after making the payment, the Institution would be undercapitalized. 12 U.S.C. § 1831o(d)(2); 12 C.F.R. §§ 565.6(a)(1) and (a)(2)(i).
- (c) The Institution may not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding quarter unless (i) OTS has accepted the Institution's capital restoration plan, (ii) the increase in assets is consistent with the plan, and (iii) the Institution's ratio of tangible equity to assets increases during the calendar quarter at a rate sufficient to enable the Institution to become adequately capitalized within a reasonable time. 12 U.S.C. § 1831o (e)(3); 12 C.F.R. § 565.6(a)(2)(iv).
- (d) The Institution may not, directly or indirectly, acquire any interest in any company or insured depository institution, establish or acquire any additional branch office, or engage in any new line of business, unless (i) OTS has accepted the Institution's capital restoration plan, the Institution is in compliance with the plan, and OTS determines that the action is consistent with, and will further achievement of the plan, or (ii) the FDIC's Board of Directors approves the action. 12 U.S.C. § 1831o(e)(4); 12 C.F.R. § 565.6(a)(2)(v).
- (e) The Institution may not accept, renew or roll over any brokered deposit. 12 U.S.C. § 1831f(a); 12 C.F.R. § 337.6(b)(3).
- (f) The Institution shall file a capital restoration plan pursuant to 12 U.S.C. § 1831o(e)(2) and 12 C.F.R. § 565.5.
- (g) The Institution shall monitor its compliance with the applicable requirements of 12 U.S.C. § 1831o(e) and 12 C.F.R. Part 565.

ii. **Significantly undercapitalized institutions and institutions without approved capital plans must comply with Sections 2.1(a)(i) above and the following restrictions:**

The Institution may not, without the OTS's prior written approval (i) pay any bonus to any senior executive officer, or (ii) provide compensation to any senior executive officer exceeding that officer's average rate of compensation (excluding bonuses, stock options, and profit-sharing) during the 12 calendar months preceding the calendar month in which the Institution became undercapitalized. 12 U.S.C. § 1831o(f)(4); 12 C.F.R. § 565.6(a)(3) and provided that the Institution has an approved capital restoration plan.

iii. **Critically undercapitalized institutions must comply with the restrictions set forth in Sections 2.1(a)(i) and (ii) and the following restrictions:**

- (a) The Institution may not make any payment of principal or interest on its subordinated debt beginning 60 days after the Institution becomes critically undercapitalized. 12 U.S.C. § 1831o(h)(2)(A); 12 C.F.R. § 565.6(a)(4)(ii).

- (b) Without the FDIC's prior written approval, as required by 12 U.S.C. §§ 1831o(h)(1) and (i)(2) and 12 C.F.R. § 565.6(a)(4)(i), the Institution may not:
 - (i) enter into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or similar action with respect to which the Institution is required to give notice to OTS;
 - (ii) extend credit for any highly leveraged transaction;
 - (iii) amend the Institution's charter or bylaws, except to the extent necessary to carry out any other requirement of any law, regulation or order;
 - (iv) make any material change in accounting methods;
 - (v) engage in any "covered transaction" with an affiliate, as defined in 12 U.S.C. § 371c(b);
 - (vi) pay excessive compensation or bonuses; or
 - (vii) pay interest on new or renewed liabilities at a rate that would increase the Institution's weighted average cost of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the Institution's normal market area.
- B. If the Institution's PCA capital category deteriorates to a lower level, the Institution shall comply with the above restrictions, as well as all of the additional mandatory prompt corrective action provisions applicable to its lower PCA capital category; and
- C. If the Institution should improve from a lower to a higher PCA capital category, it must continue to comply with the previously applicable mandatory sanctions of the lower category until such time as written approval to cease compliance with the lower category sanctions is requested of, and received from, OTS.

Section 2.2 Restrictions on Interest Rates; Brokered Deposits

- A. The Institution shall restrict the rates it pays on deposits to the prevailing rates of interest on deposits of comparable amounts and maturities in the Institution's normal market area. Nothing herein shall be construed as requiring a reduction of rates paid on outstanding time deposits prior to their renewal. OTS is imposing this restriction pursuant to 12 U.S.C. § 1831o(f)(2)(C).
- B. Notwithstanding the foregoing restrictions, the Institution may pay interest rates that exceed the interest rates that would be permitted under the foregoing restrictions provided that: (i) the interest rates are within the limitations of 12 C.F.R. § 337.6; and (ii) the interest rates are necessary to most effectively manage the Institution's weighted average cost of funds, giving consideration to the Institution's liquidity requirements.

- C. Pursuant to 12 U.S.C. §§ 1831o(f)(5) and (i)(2)(G) and 12 C.F.R. § 337.6, based upon a determination by OTS that the action is necessary to carry out the purpose of 12 U.S.C. § 1831o, the Institution may not pay interest on new or renewed liabilities at a rate that would increase the Institution's weighted average cost of funds to a level significantly exceeding the prevailing rates of interest on insured deposits in the Institution's normal market areas.

Section 2.3 Growth Restrictions

Pursuant to 12 U.S.C. § 1831o(e)(3), the Institution shall not permit its average total assets during any calendar quarter to exceed its average total assets during the preceding quarter unless: (i) OTS has accepted the Institution's Capital Plan, (ii) any increase in total assets is consistent with such Capital Plan, and (iii) the Institution's ratio of tangible equity to assets increases during the quarter at a rate sufficient to make the Institution adequately capitalized by January 31, 2009. OTS is imposing this restriction pursuant to 12 U.S.C. § 1831o(e)(3).

Section 2.4 Restrictions on Activities Posing Excessive Risk

- A. The Institution's activities are restricted as provided by this Section 2.4 hereof. OTS imposes these restrictions pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and (J), having determined that those activities not permitted pose excessive risk to the Institution in view of its deteriorating financial condition and based upon a determination by OTS that the following action will better carry out the purposes of 12 U.S.C. § 1831o(f), than any other discretionary restrictions.
- B. Pursuant to 12 U.S.C. §§ 1831o(f)(2)(E) and (J) and except as permitted by subsection (C) of this subsection, the Institution shall not, without the prior written notice of non-objection of OTS, engage in activities that OTS has determined pose excessive risk to the Institution, including the following:
- (i) Any transaction, or commitment to engage in a transaction, valued in excess of \$375,000 individually or in the aggregate;
 - (ii) Any engagement or commitment of engagement, in any forward commitment, futures transaction, financial option transaction, or other financial derivative transaction as defined in 12 C.F.R. § 563.172;
 - (iii) Any joint venture or limited partnership agreement, directly or indirectly;
 - (iv) 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;
 - (v) Any third-party contracts, except for contracts in the normal course of business that do not exceed \$10,000;
 - (vi) Any transaction with any affiliate in an amount exceeding \$5,000, including, but not

limited to, any renewal, modification or extension of any existing transaction;

- (vii) Any investment in any service corporation, finance subsidiary, or operating subsidiary, or any subsidiary of a service corporation or in real estate or equity securities;
- (viii) Acceptance of any non-cash capital contribution;
- (ix) Establishment of any loan production or agency office;
- (x) Any lease or contract for the purchase or sale of real estate or of any interest therein, except, however, that this restrictions does not apply to such leases and contracts to be entered into in the ordinary course of business (including, but not limited to contracts for the sale of real estate owned due to foreclosure), where the consideration for the lease or contract does not exceed \$10,000;
- (xi) Release of any borrower or guarantor from personal or corporate liability on any loan or extension of credit granted by the Institution, except when the outstanding balance of the loan and other outstanding loans to the borrower or guarantor have been paid in full;
- (xii) Any encumbrance of any of its property or other assets, except, however, that the Institution may pledge its assets in connection with borrowings necessary to meet liquidity needs;
- (xiii) Making, purchase, sale, refinancing, extension, or modification of, or investment in or dealing in (including loan brokering) any loans secured by real estate (including, but not limited to subprime loans) or any participation therein or any real estate investment (including, but not limited to, any loan to finance the acquisition, development, and/or construction of real property), or any set of such loans, participation, or investments; or otherwise engagement in a commitment to undertake such transactions, except as required pursuant to legally binding commitments, existing as of the Effective Date hereof.;
- (xiv) Making, purchase, sale, refinancing, extension, or modification of, or investment in or dealing in (including loan brokering) any commercial loans, letters of credit, participations therein, or any set of such loans, letters of credit, or participations or otherwise engagement in a commitment to undertake such transactions, except as required pursuant to legally binding commitments, existing as of the Effective Date hereof; and
- (xv) Making, purchase, sale, refinancing, extension, or modification of, or investment in or dealing in (including loan brokering) any consumer or education loans, except as

required pursuant to legally binding commitments, existing as of the Effective Date hereof.

- C. All marketing and advertising related to loans not permitted herein, including subprime loans, shall be discontinued upon the Effective Date of this Directive.

Section 2.5 Permitted Activities

Subject to the restrictions in Section 2.4 above, the Institution is permitted to engage in the following lending (including origination) and investment activities, provided that (a) such activities do not cause the Institution to increase its level of total assets to an amount that would violate Section 2.3 hereof, or its capital restoration plan, and (b) the Institution engages in such activities in a prudent manner:

- A. Qualifying Mortgage Loans: Origination of Qualifying Mortgage Loans, as defined in 12 C.F.R. § 567.1, underwritten in accordance with criteria established for residential loans eligible for purchase by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association, excluding any Subprime Lending programs;
- B. Savings Account Loans: Loans fully secured by savings or time deposit accounts over which the Institution establishes proper collateral controls;
- C. Guaranteed Loans: Advancement of funds evidenced by notes guaranteed by state or Federal Government guarantees;
- D. Lines of Credit on Checking and NOW Accounts: Lines of credit of no more than \$5,000 underwritten in accordance with all applicable OTS regulations, with overdrafts on checking accounts permitted consistent with customary and prudent banking practice;
- E. Consumer Loans: Unsecured consumer loans not exceeding \$5,000;
- F. Secondary Marketing Sales: Sale of Qualifying Mortgage Loans (within the meaning of Subsection A above) in the secondary market without recourse, as defined in 12 C.F.R. § 567.1, and prudently managed forward commitments in connection therewith;
- G. Salvage Power Activities: Acquisition of property in satisfaction of debt previously contracted in connection with the exercise of the Institution's salvage powers, provided that the Institution may release a guarantor/borrower from personal liability in order to obtain title to real property only if it is able to document that: (i) the current appraised value of the property equals or exceeds the book value of the loan; or (ii) the net value to be gained from further pursuing the borrower/guarantor is de minimus, considering costs of legal action and possible value to be obtained. Any such transactions involving the release of guarantor or borrower from an obligation that results in a deficiency exceeding \$ 5,000 are subject to prior notice to, and opportunity to object, by OTS; and
- H. Liquid Assets: Investments in cash and such other liquid instruments and investments.

Section 2.6 Restrictions on Affiliate Transactions as Insiders Loans

- A. The Institution shall provide 30 days prior notice, and opportunity to object, to OTS of any

and all proposed transactions with affiliates not otherwise prohibited by Section 2.4(B) hereof. OTS is imposing this restriction pursuant to the authority at 12 U.S.C. § 1831o(f)(2)(B) and 12 C.F.R. § 563.41(c)(4).

- B. The Institution shall not extend any credit to executive officers, directors and principal shareholders, without the prior written notice of non-objection of OTS. OTS directs this action pursuant to 12 U.S.C. § 1831o(f)(2)(J) and based upon a determination by OTS that such action will better carry out the purposes of 12 U.S.C. § 1831o.

Section 2.7 Limits on Deposits from Correspondent Banks

Pursuant to 12 U.S.C. § 1831o(f)(2)(G), the Institution shall not accept deposits, or renewals or roll-overs of prior deposits, from correspondent depository institutions without OTS's prior written notice of non-objection.

Section 2.8 Process for Exemptions from Restrictions

- A. The Institution may submit written requests to OTS, requesting OTS to issue a notice of non-objection for the purpose of either relieving the Institution from certain restrictions hereunder, or requesting OTS to provide notice of supervisory non-objection with respect to a particular specifically identified transaction, loan, or investment.
- B. Requests for written notice of OTS's non-objection to make loans or investments otherwise prohibited in this Directive must be accompanied by a resolution of the Board, signed by each individual member of the Board voting in favor of the resolution, finding as follows:
 - i. management is capable of underwriting and administering the loans or investments in a safe and sound manner;
 - ii. the Board has adopted policies and procedures to ensure that the loans or investments are prudently underwritten and administered;
 - iii. internal controls measuring compliance with such policies and procedures are in place;
 - iv. during the preceding 12 months, the Institution has not experienced significant losses in connection with similar loans or investments; and
 - v. the loans or investments contemplated are necessary to preserve the Institution's franchise value.

All documentation considered by the Board in adopting each such resolution shall be explicitly referenced in the minutes of the meeting at which the resolution was adopted and shall be made available to OTS representatives upon request.

Section 2.9 Limits on Compensation and Benefits

- A. Pursuant to 12 U.S.C. §§ 1831o(f)(2)(J), (f)(4), and (f)(5), based upon a determination by

OTS that the following restrictions will better carry out the purpose of 12 U.S.C. § 1831o, the Institution is hereby directed:

- i. Not to incur any compensation or benefit expense for items or services that do not have an immediate, direct relationship to the performance of any individual's duties; except for expenses incurred for employee pension/profit sharing/retirement plans and health and medical plans in existence as of the effective date of this Directive;
- ii. Not to enter into, modify, or renew any agreement or employment contract with, or increase the compensation of, or severance pay for any senior executive officer or director of the Institution without the OTS's prior written non-objection;
- iii. Not to make any "golden parachute payment" as that term is defined in 12 U.S.C. §§ 1828(k) and 12 C.F.R. Part 359; and
- iv. Not to purchase any bank owned life insurance without the Regional Director's prior written approval.

The requirements of this Section 2.9 are imposed in addition to the mandatory restrictions imposed in senior executive officers' compensation set forth in Section 2.1 hereof.

- B. Pursuant to 12 U.S.C. § 1831o(f)(2)(F) and 12 C.F.R. § 563.560, the Institution shall provide OTS at least 30 days prior written notice of the addition of any director or senior executive officer, including a change in responsibilities in any existing senior executive officer, pursuant to 12 U.S.C. § 1831i and 12 C.F.R. § 563.560.

Section 2.10 Liquidity Requirement/Borrowing Capacity

- A. The Institution shall, at all times, have and maintain a balance of Cash and Cash Equivalents of not less than \$40 million from the Effective Date hereof until January 30, 2009, except with the prior written non-objection of OTS. Beginning January 31, 2009, the Institution shall, at all times, have and maintain a balance of Cash and Cash Equivalents of not less than \$50 million, except with the prior written non-objection of OTS.
- B. The Institution shall immediately notify OTS of any event that would cause the Institution to fall below the requirement set forth in Section 2.10(A). OTS imposes this Section, pursuant to 12 U.S.C. § 1831o(f)(2)(J), based upon a determination by OTS that the actions hereunder will better carry out the purposes of Section 38 of the FDIA.

PART III - GENERAL PROVISIONS

Section 3.1 Jurisdiction

This Directive constitutes a final order under 12 U.S.C. § 1831o and is enforceable under 12 U.S.C. § 1818(i).

Section 3.2 Definitions

- A. All technical words or terms used in this Directive, for which meanings are not specified or otherwise provided by the provisions of this Directive shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA, OTS Bulletins, or OTS Thrift Activities Handbook. Any such technical words or terms used in this Directive and undefined in Code of Federal Regulations, HOLA, FDIA, OTS Bulletins or OTS Thrift Activities Handbook shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. The term "Effective Date" has the meaning set forth in Section 3.11 of this Directive.

Section 3.3 Successor Statutes, Regulations, Guidance Amendments

Reference in this Directive to provisions of statutes and regulations shall be deemed to include references to all amendments to such provisions as have been made as of the effective date hereof and references to successor provisions as they become applicable.

Section 3.4 Notices

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with OTS or the Institution shall be in writing and sent by first class U.S. mail (or by reputable overnight courier, electronic facsimile transmission, or hand delivery via messenger) addressed as follows:

OTS: E. Evan Kato
 Acting Assistant Director
 Office of Thrift Supervision
 Midwest Region
 225 E. John Carpenter Freeways, Suite 500
 Irving, TX 75062-2326
 Phone: (972) 277-9500
 Fax: (972) 277-9630

Institution: Board of Directors
 Attention: Chairman Peter Yelorda
 American Sterling Bank
 11206 East Twenty-Four Highway
 Sugar Creek, MO 64054
 Phone: (816) 521-2500
 Fax: (816) 254-0200

With a copy to:
Karen Garrett, Esq.
Bank Counsel

1200 Main Street, Suite 3500
Kansas City, MO 64105
Phone: (816) 374-3290
Fax: (816) 855-3290

Section 3.5 Duration, Termination or Suspension of the Directive

- A. The terms and provisions of this Directive shall be binding upon the Institution and its successors in interest.
- B. The Directive shall remain in effect until terminated, modified or suspended in writing by OTS.
- C. OTS, in its discretion, may, by written notice, suspend any or all provisions of the Directive, except for Section 2.1 (Mandatory Restrictions).

Section 3.6 Effect of Headings

The Part and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.7 Separability Clause

In case any provision in this Directive 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 OTS, in its sole discretion, determines otherwise.

Section 3.8 No Violations Authorized; Consequences of Directive

Nothing in this Directive, including, without limitation, any of the timeframes for actions set forth in Part I, shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting OTS from taking such actions as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, actions pursuant to 12 U.S.C. § 1831o, or taking any other type of supervisory, enforcement, or resolution action that OTS determines to be appropriate.

Section 3.9 Other Enforcement Documents

- A. The Order to Cease and Desist and its accompanying Stipulation and Consent to the issuance by OTS against the Institution on August 20, 2008, remains in effect.
- B. Nothing contained in this Directive shall affect or limit OTS's ability to take enforcement action in connection with any violation of the above-referenced Order to Cease and Desist, dated August 20, 2008, regardless of when such violation has or may occur.

Section 3.10 Incorporation of Stipulation

The Stipulation is made a part hereof and is incorporated herein by this reference.

Section 3.11 Effective Date of This Directive

This Directive (including all the requirements and limitations herein) is effective immediately on the date of issuance of the Directive (Effective Date), which is the date indicated on the first page.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/_____

C. K. Lee
Regional Director
Midwest Region

Date: See Effective Date on page 1

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

| | | |
|------------------------|---|----------------------------------|
| In the Matter of: |) | |
| |) | |
| American Sterling Bank |) | OTS Order No: MW 09-02 |
| Sugar Creek, Missouri |) | |
| |) | |
| OTS No. 15909 |) | Effective Date: January 15, 2009 |
| |) | |
| |) | |

STIPULATION AND CONSENT TO
PROMPT CORRECTIVE ACTION DIRECTIVE

1. The Office of Thrift Supervision (OTS) has informed American Sterling Bank, Sugar Creek, Missouri (Institution), based upon information reported to OTS, that grounds exist to issue a Prompt Corrective Action Directive (PCA Directive) pursuant to Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7, against the Institution. The Institution, in the interest of cooperation and to avoid the time and expense of pursuing further OTS administrative procedures for the issuance of a PCA Directive, stipulates and consents to the terms set forth in this Stipulation and Consent.
2. The Institution stipulates it is a federal savings association subject to the supervision and regulation by OTS. The Institution is a “savings association” as that term is used in the Home Owners’ Loan Act (HOLA), 12 U.S.C. §§ 1461 *et seq.*, and an “insured depository institution” as defined in 12 U.S.C. §§ 1813(b) and 1813(c)(2). The Institution stipulates that, as such, it is subject to OTS’s authority to issue a directive to take prompt corrective action pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, and Section 565.7 of the OTS Regulations, 12 C.F.R. § 565.7.
3. The Institution consents, by execution of the Stipulation and Consent, to OTS’s issuance by of the accompanying PCA Directive. The Institution further agrees to comply with the terms of the PCA Directive.
4. The Institution consents, by execution of this Stipulation and Consent, to OTS’s appointment of a conservator or receiver or other legal custodian for the Institution at any time that the Institution is “significantly undercapitalized” or “critically undercapitalized” and until such time as the Institution becomes “adequately capitalized” as determined pursuant to Section 38 of FDIA, 12 U.S.C. § 1831o, and Section 565.4 of the OTS Regulations, 12 C.F.R. § 565.4. The Institution hereby waives its rights to seek judicial review of such appointment.

5. The Institution, by execution of this Stipulation and Consent, acknowledges that OTS may provide otherwise confidential information about the Institution to third parties to facilitate the possible acquisition of the Institution by a qualified buyer, sale of the Institution's assets or the purchase of the Institution's branches, or the possible merger of the Institution with a qualified merger partner.
6. The Institution, by execution of this Stipulation and Consent, authorizes the Federal Deposit Insurance Corporation (FDIC) to provide otherwise confidential information to third parties to facilitate the liquidation or other resolution of the Institution in anticipation of the possible appointment of FDIC as conservator, receiver, or other legal custodian. The Institution hereby agrees that it will cooperate fully with the FDIC to avoid a loss or otherwise minimize exposure to the insurance fund. Such cooperation includes, but is not limited to, responding to requests for information, providing full access to personnel, agents and service providers, and accommodating on-site visits and due diligence efforts.
7. The attached PCA Directive is effective upon issuance. The Institution acknowledges that the PCA Directive is enforceable pursuant to Section 5(d) of HOLA, 12 U.S.C. § 1464(d), and Section 8 of FDIA, 12 U.S.C. § 1818.
8. The Institution hereby waives the following:
 - (a) its rights to pursue OTS's administrative process for issuance of the accompanying PCA Directive pursuant to 12 C.F.R. § 565.7;
 - (b) any and all rights it might otherwise have pursuant to federal law or regulations (including, but not limited to, 12 U.S.C. § 1831o and 12 C.F.R. § 565.7) in connection with issuance of the PCA Directive;
 - (c) its right to seek judicial review of the PCA Directive, including, but not limited to, any such right provided by Section 8(h) of FDIA, 12 U.S.C. § 1818(h); and
 - (d) its right to challenge or contest in any manner the basis, issuance, validity or enforceability of the PCA Directive or any provision thereof.
9.
 - (a) The laws of the United States of America shall govern the construction and validity of this Stipulation and Consent and the Directive.
 - (b) All references to OTS in this Stipulation and Consent and the Directive also shall mean any of the OTS's predecessors, successors, and assigns.
 - (c) To the extent this Stipulation and Consent and Directive may be deemed an agreement, the written terms herein and in the accompanying PCA Directive represent the final and sole binding written terms of such agreement with respect to the subject matters addressed therein.

