

**#2014-050**

Also *Terminates* #2012-218

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

In the Matter of: )  
F&M Bank and Trust Company ) AA-CE-2014-31  
Hannibal, Missouri )

**CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”), through his authorized representative, has supervisory authority over F&M Bank and Trust Company, Hannibal, Missouri (“Bank”).

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a Stipulation and Consent to the Issuance of a Consent Order, dated April 22, 2014 (“Stipulation and Consent”), that is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“Order”) by the Comptroller. This Order supersedes and terminates the August 28, 2012, Consent Order between the OCC and the Bank (Docket Number AA-CE-12-106).

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

**ARTICLE I**

**PROGRESS REPORT**

(1) By July 30, 2014, and within thirty (30) days of each quarter-end thereafter, the Board shall submit to the Assistant Deputy Comptroller a written progress report setting forth in detail:

- (a) description of the actions needed to achieve full compliance with each Article of this Order;

- (b) actions taken to comply with each Article of this Order; and
- (c) the results and status of those actions.

(2) All reports or plans which the Bank or Board has agreed to submit to the Assistant

Deputy Comptroller pursuant to this Order shall be forwarded to:

Mary Beth Farrell  
Assistant Deputy Comptroller  
500 North Broadway, Suite 1700  
St. Louis, Missouri 63102

## ARTICLE II

### BOARD TO ENSURE COMPETENT MANAGEMENT

(1) By July 31, 2014, the Board shall identify and propose to the OCC for appointment a new, competent individual to fulfill the position of Managing Officer, to whom all executive officers of the Bank shall report. The Managing Officer shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe and sound operation of the Bank. The Managing Officer shall report directly to the Board.

(2) Within sixty (60) days of the appointment of a Managing Officer pursuant to Paragraph (1), the Board and the Managing Officer shall perform a comprehensive and objective assessment of the revised Strategic Plan adopted pursuant to Article III and the Capital Plan adopted pursuant to Article IV to determine if any revisions are necessary. The Board must document its conclusions. The bases for these conclusions must be totally objective and thoroughly documented. Upon completion of this assessment, the Board shall forward a copy of its conclusions, and the bases for its conclusions, to the Assistant Deputy Comptroller. The Board shall also make any necessary revisions to the revised Strategic Plan and the Capital Plan, in accordance with any applicable requirements described in Articles III and IV.

(3) Within seventy-five (75) days of the appointment of a Managing Officer pursuant to Paragraph (1), the Board and the Managing Officer shall perform a comprehensive and objective assessment of all senior managers within the Bank, and must conclude as to whether or not they have the necessary knowledge, skills, and aptitude to perform present and anticipated duties; proactively identify, measure, monitor, and control risks adversely impacting the Bank's performance; achieve profitability; and operate the Bank in a safe and sound manner in compliance with all applicable laws and regulations. In the course of this assessment, the Board and the Managing Officer must consider the Bank's revised Strategic Plan, adopted pursuant to Article III and reviewed pursuant to Paragraph (2) of this Article, and the Bank's current and anticipated product lines. The Board must document its conclusions. The bases for these conclusions must be totally objective and thoroughly documented. Upon completion of this assessment, the Board shall forward a copy of its conclusions, and the bases for its conclusions, to the Assistant Deputy Comptroller.

(4) Prior to the appointment of any individual to the Managing Officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) a written notice containing the information set forth in 12 C.F.R. § 163.570 and regulatory guidance related thereto;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(5) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new Managing Officer. However, the lack of disapproval of an individual shall not constitute an approval or endorsement of the proposed officer. Following

receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the proposed Managing Officer, and any other required regulatory approvals, the Board shall promptly appoint the proposed new Managing Officer.

(6) Should the Managing Officer position become vacant at any time following the appointment of an individual as Managing Officer pursuant to Paragraph (1), the Board shall, within sixty (60) days of such vacancy, identify a new, competent individual to the vacated position. Prior to the appointment of the proposed new Managing Officer, the Board shall submit to the Assistant Deputy Comptroller the information specified in Paragraph (4). The Assistant Deputy Comptroller shall have the power to disapprove the appointment of the proposed new Managing Officer. However, the lack of disapproval of an individual shall not constitute an approval or endorsement of the proposed officer. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the proposed Managing Officer, and any other required regulatory approvals, the Board shall promptly appoint the proposed new Managing Officer.

(7) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6)(e) and do not require the Comptroller or the Assistant Deputy Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

### ARTICLE III

#### STRATEGIC PLAN

(1) By June 30, 2014, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a revised Strategic Plan covering at least the next three years. The revised Strategic Plan shall establish objectives and

projections for the Bank's overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives and, at a minimum, include:

- (a) a statement of strategic goals and objectives for the Bank;
- (b) detailed strategies designed to improve and sustain earnings based upon an assessment of the Bank's present and future operating environment, with express consideration for the Bank's non-interest expenses;
- (c) the development of strategic goals and objectives to be accomplished over the short and long term, including an assessment of whether the sale, merger, or liquidation of the Bank is in the best interests of the Bank, its shareholders, and its depositors;
- (d) an assessment of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in Paragraph (1)(a) of this Article;
- (e) an evaluation of the Bank's staffing requirements and the development of policies and procedures ensuring adequate personnel to accomplish strategic objectives without compromising safety or soundness; and
- (f) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over a three-year period.

(2) Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the revised Strategic Plan.

(3) The Board shall review and update the Bank's revised Strategic Plan on an annual basis, or more frequently if necessary or if directed by the Assistant Deputy Comptroller, to cover the next three year period. Prior to adopting any material subsequent amendments or revisions to the revised Strategic Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a written determination of no supervisory objection. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the amended or revised Strategic Plan.

#### ARTICLE IV

##### CAPITAL PLAN AND HIGHER MINIMUMS

(1) Upon execution of the Order, the Bank shall achieve and thereafter maintain the following minimum capital levels:

(a) Tier 1 leverage ratio at least equal to eight and one half percent (8.5%);

and

(b) Total risk-based capital ratio at least equal to thirteen percent (13%).<sup>1</sup>

(2) By June 30, 2014, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection a written Capital Plan for the Bank covering at least a three-year period. The Capital Plan shall be consistent with the Bank's

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<sup>1</sup> All terms used in these two bullet points are as reported on Schedule RC-R of the Bank's Consolidated Reports of Condition and Income ("Call Report") in accordance with applicable instructions.

revised Strategic Plan developed pursuant to Article III and the Office of the Comptroller of the Currency's "Capital Planning: Guidance for Evaluating Capital Planning and Adequacy" dated June 7, 2012 (OCC Bulletin 2012-16), and shall include:

- (a) specific plans for the achievement and maintenance of adequate capital that may in no event be less than the requirements of Paragraph (1) of this Article;
- (b) projections for growth and capital requirements based upon an analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) identification of the primary sources from which the Bank will strengthen its capital structure to meet the Bank's needs; and
- (e) contingency plans that identify alternative capital sources should the primary sources identified under Paragraph (2)(d) of this Article be unavailable.

(3) Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the Bank's Capital Plan, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the Capital Plan.

(4) The Board shall review and update, as needed, the Bank's Capital Plan at least annually, and more frequently if necessary or if directed by the Assistant Deputy Comptroller. Prior to adopting any material subsequent amendments or revisions to the Capital Plan, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and

receive a prior written determination of no supervisory objection. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the amended or revised Capital Plan.

(5) The Bank may pay a dividend or make a capital distribution only when all of the following conditions are met:

- (a) the Bank will be in compliance with the minimum capital ratios required by Paragraph (1) of this Article immediately after making the dividend or capital distribution;
- (b) the Bank is in compliance with its approved Capital Plan and would remain in compliance with its approved Capital Plan immediately after making the dividend or capital distribution;
- (c) the dividend or capital distribution would not cause the Bank to violate 12 U.S.C. § 1831o(d)(1) or 12 C.F.R. Part 163; and
- (d) the Bank has received a prior written determination of no supervisory objection from the Assistant Deputy Comptroller.

## ARTICLE V

### CREDIT AND COLLATERAL INFORMATION

(1) The Board shall ensure the Bank's adherence to a written program designed to ensure the Bank obtains and analyzes updated credit and collateral information as necessary to monitor the Bank's credit risk, properly account for loans, and assign accurate risk-ratings in a timely manner. At a minimum, with respect to all loans, leases, or other extensions of credit not subject to the Federal Financial Institutions Examination Council's "Uniform Retail Credit



Classification and Account Management Policy” dated June 12, 2000 (OCC Bulletin 2000-20), the program shall require the Bank to:

- (a) obtain and analyze current and satisfactory credit information on an ongoing basis;
- (b) maintain, on an ongoing basis, proper collateral documentation, and, where necessary, substantiate the current value of collateral; and
- (c) implement a tracking system to ensure that the Bank obtains current and satisfactory credit information and maintains proper collateral documentation.

(2) Upon adoption of any subsequent amendments or revisions to the written program, the Board shall submit the amended or revised written program to the Assistant Deputy Comptroller. The Board shall also promptly implement and thereafter ensure the Bank’s adherence to the amended or revised written program.

(3) If despite prudent efforts the Board and management are unable to obtain the credit information or collateral documentation required by Paragraph (1) of this Article, it shall not constitute a violation of this Article so long as the Bank’s ongoing efforts to obtain the information are documented and recorded in the respective credit file.

(4) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan, lease, or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment for the extension of credit;

- (d) obtaining and analyzing current and satisfactory credit information to appropriately assess the borrower's cash flow and financial position, and where repayment is dependent in whole or in part on one or more guarantors, performing an appropriate analysis of the guarantors' current financial position; and
- (e) documenting the current value of collateral with adequate supporting material, in compliance with 12 C.F.R. Part 164 where applicable, and documenting that the Bank's security interest has been properly attached and recorded.

(5) Failure to adhere to Paragraph (4)(c) of this Article or to obtain and analyze the information in Paragraph (4)(d) of this Article shall not constitute a violation of this Article if, prior to granting the extension of credit, a majority of the full Board (or a delegated committee thereof) reasonably determines that not adhering to Paragraph (4)(c), or not obtaining and analyzing the information required in Paragraph (4)(d), would not be detrimental to the best interests of the Bank. Any such determination must be documented in a written certification that includes specific and adequate reasons for the Board's determination. A copy of the Board certification shall be maintained in the Bank's credit file for the respective borrower(s) for subsequent review by the Comptroller in connection with examinations of the Bank. The certification exception granted by this Paragraph shall not apply to any loan or other extension of credit to an insider as the terms are defined by 12 C.F.R. §§ 215.2(h) and 215.3.

## ARTICLE VI

### LOAN RISK RATING SYSTEM

(1) The Board shall ensure that the Bank's internal risk ratings of any loan relationship not subject to the Federal Financial Institutions Examination Council's "Uniform Retail Credit Classification and Account Management Policy" dated June 12, 2000 (OCC Bulletin 2000-20) (covered relationship), as assigned by responsible loan officers and by any independent loan reviewer, are timely, accurate, and consistent with 12 C.F.R. § 160.160 and the criteria set forth in the "Rating Credit Risk" booklet, A-RCR, of the Comptroller's Handbook. At a minimum, the Board shall ensure, on an ongoing basis, that with respect to the assessment of credit risk of any covered relationship:

- (a) the primary consideration is the strength of the borrower's primary source of repayment (i.e., the probability of default rather than the risk of loss);
- (b) collateral, non-government guarantees, and other similar credit risk mitigants that affect potential loss in the event of default (rather than the probability of default) are taken into consideration only if the primary source of repayment has weakened and the probability of default has increased;
- (c) credit risk ratings are reviewed and updated whenever relevant new information is received, but no less frequently than annually; and
- (d) the credit risk rating analysis is documented and available for review by the Board and the OCC upon request.

(2) The Board shall ensure that any covered relationship with a high probability of payment default or other well-defined weakness is rated no better than Substandard, unless the debt is secured by marketable securities or cash.

(3) The Board shall maintain a management information system that provides, at a minimum, the following information in writing to the Board on a monthly basis:

- (a) the identification, type, amount, and assigned rating of each loan or other asset rated Special Mention or worse, and a discussion of the specific reasons for the assigned risk rating;
- (b) a listing of all credit and collateral documentation exceptions;
- (c) a list of loans and leases not in conformance with the Bank's lending and leasing policies, with a notation as to whether the exceptions were properly granted in accordance with the Bank's lending and leasing policy; and
- (d) the identity of the loan officer who originated each loan or other extension of credit reported in accordance with Paragraphs (3)(a) through (3)(c) of this Article.

## ARTICLE VII

### LOAN REVIEW

(1) The Board shall ensure the Bank's adherence to an effective, independent, and on-going loan review system to review, at least semi-annually, the Bank's loan and lease portfolios to assure the timely and accurate risk rating of credits and the identification of credit information, collateral documentation, and policy exceptions. The system shall provide for a written report to be filed with the Board after each review. Such reports shall include, at a minimum, conclusions regarding:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the accrual status and amount of impairment reserves, if necessary;

- (c) credit information and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) loans and leases to the Bank's executive officers, directors, and principal shareholders as well as any of their related interests; and
- (f) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(2) Prior to adopting any material subsequent amendments or revisions to the system, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the amended or revised system.

(3) The Board shall promptly evaluate the internal loan and lease review reports and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report.

(4) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to address concerns pursuant to Paragraph (3) of this Article, shall be maintained at the Bank and available for review by Bank Examiners upon request.

## ARTICLE VIII

### CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized<sup>2</sup> in the Report of Examination for the examination which commenced on October 21, 2013 (“ROE”), in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the OCC during any examination.

(2) The Board shall adopt, implement, and thereafter ensure the Bank’s adherence to individual workout plans for criticized assets equal to or exceeding fifty thousand dollars (\$50,000). The workout plans shall be designed to protect the Bank’s interest in or eliminate the basis of criticism of assets criticized in the ROE or internally identified by the Bank as criticized as of the effective date of this Order. On an ongoing basis, when any asset equal to or exceeding fifty thousand dollars (\$50,000) is criticized in a subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the OCC during any examination, the Board shall adopt, implement, and thereafter ensure the Bank’s adherence to individual workout plans for the criticized asset within thirty (30) days. Each workout plan shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) an analysis of the borrower’s ability to repay the loan based on current and satisfactory credit information, including a global cash flow analysis of the guarantor’s repayment ability where repayment is dependent in whole or in part on any guarantor;

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<sup>2</sup> The term “criticized” as used in this Article refers to assets rated the equivalent of “doubtful,” “substandard,” or “special mention” as defined in the “Rating Credit Risk” booklet, A-RCR, of the Comptroller’s Handbook.

- (c) the current value of supporting collateral and the position of the Bank's lien on such collateral where applicable; and
- (d) actions designed to protect the bank's interest in, or eliminate the basis of criticism of, the asset, including timeframes for implementing and evaluating the effectiveness of those actions.

(3) A copy of the workout plans for all assets equal to or exceeding one hundred and fifty thousand dollars (\$150,000) that were criticized in the ROE, or are criticized in a subsequent Report of Examination, shall be forwarded to the Assistant Deputy Comptroller with the following progress report required by Article I.

(4) The Board, or a designated committee, shall conduct a review, at least by the end of each quarter, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds one hundred and fifty thousand dollars (\$150,000);
- (b) management's adherence to the workout plans adopted pursuant to this Article;
- (c) the status and effectiveness of the plans; and
- (d) the need to revise the plans or take alternative action.

(5) A copy of each review conducted pursuant to Paragraph (4) of this Article shall be forwarded to the Assistant Deputy Comptroller within thirty (30) days of the end of the quarter in which the review occurred.

(6) Effective immediately, the Bank may extend credit, directly or indirectly, including renewals and extensions, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan

review, or in any list provided to management by the OCC during any examination and whose aggregate loans or other extensions exceed one hundred and fifty thousand dollars (\$150,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing or extending any additional credit, a majority of the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and
- (b) a comparison to the plans adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(7) A copy of the approval of the Board or of the designated committee, and the supporting documentation, pursuant to Paragraphs (6)(a) and (b) of this Article shall be maintained in the file of the affected borrower.

## ARTICLE IX

### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall ensure the Bank's adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with U.S. generally accepted accounting principles ("GAAP"). The ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated



December 13, 2006 (OCC Bulletin 2006-47) (“Interagency Statement”), and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB ASC 310-10, *Receivables - Overall - Subsequent Measurement – Impairment*);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP (including FASB ASC 450-20, *Loss Contingencies*). These procedures shall require the Bank to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in the Interagency Statement;
- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board’s prior review and approval, the amount to be reported in the Call Report for the ALLL.

(2) The Board shall ensure the Bank’s adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank’s actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Report.

(3) Upon adoption of any subsequent amendments or revisions to the policies and procedures required by this Article, the Board shall submit the amendment or revision to the Assistant Deputy Comptroller. The Board shall also promptly implement and thereafter ensure the Bank’s adherence to the amended or revised policies and procedures.

## ARTICLE X

### INTERNAL AUDIT

- (1) The Board shall ensure the Bank's adherence to an independent, internal audit program sufficient to:
  - (a) detect irregularities and weak practices in the Bank's operations;
  - (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
  - (c) assess and report the effectiveness of policies, procedures, controls, and management oversight relating to accounting and financial reporting;
  - (d) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies concerning underwriting standards and problem loan identification and classification; and
  - (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.
  
- (2) As part of this audit program, the Board shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.
  
- (3) The persons responsible for implementing the internal audit program described above shall be independent, qualified, and report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and not through any intervening party, including any individual who is a director.

(4) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in any audit report, and that auditors maintain a written record describing those actions.

(5) The audit staff shall have access to any records necessary for the proper conduct of its activities. Bank Examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(6) Prior to adopting any material subsequent amendments or revisions to the internal audit program, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the amended or revised internal audit program.

## ARTICLE XI

### CONSUMER COMPLIANCE PROGRAM

(1) By June 30, 2014, the Board shall submit to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection, a written consumer compliance program designed to ensure that the Bank is operating in compliance with all applicable consumer protection laws, rules, and regulations. This program shall include, but not be limited to:

- (a) a written description of the duties and responsibilities of the compliance officer, which shall include the responsibility for monitoring regulatory changes and communicating those changes to appropriate Bank personnel;
- (b) adequate internal controls and secondary review processes, including

timely follow-up testing, to ensure compliance with consumer laws, rules, and regulations;

- (c) the preparation of a policies and procedures manual covering all consumer protection laws, rules, and regulations for use by appropriate Bank personnel in the performance of their duties and responsibilities;
- (d) periodic updates of the written compliance policies and procedures manual to ensure it remains current as laws, regulations, and guidance changes, but in no case less than annually; and
- (e) the education and training of all appropriate Bank personnel in the requirements of all federal and state consumer protection laws, rules, and regulations.

(2) Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection to the consumer compliance program, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the consumer compliance program.

(3) Prior to adopting any material subsequent amendments or revisions to the consumer compliance program, the Board shall submit the proposed amendment or revision to the Assistant Deputy Comptroller and receive a prior written determination of no supervisory objection. Following receipt of the Assistant Deputy Comptroller's written determination of no supervisory objection, the Board shall promptly adopt, implement, and thereafter ensure the Bank's adherence to the amended or revised consumer compliance program.

## ARTICLE XII

### VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE, in any subsequent Report of Examination, or brought to the Board's attention in writing by management, regulators, auditors, or other compliance efforts.

(2) By June 30, 2014, the Board shall adopt, implement, and thereafter ensure the Bank's adherence to specific procedures to prevent future violations as cited in the ROE, and shall adopt, implement, and thereafter ensure the Bank's adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, or receipt of any other writing, as described in Paragraph (1) of this Article, that cites a violation of law, rule or regulation, the Board shall adopt, implement, and thereafter ensure the Bank's adherence to specific procedures to prevent future violations as cited in that ROE and shall adopt general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, the Board shall submit a copy of any procedure required by this Article, and any subsequent amendments or changes, to the Assistant Deputy Comptroller.

## ARTICLE XIII

### CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior written determination of no supervisory objection of the Assistant Deputy Comptroller, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Except as otherwise explicitly provided herein, any time limitations imposed by this Order shall begin to run from the effective date of this Order. Such time limitations may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Order in which the Board or a Board Committee is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Order, including ensuring that the Bank has necessary

processes, personnel, and control systems;

- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(7) The terms of this Order, including this Paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 22nd day of April, 2014.

/s/

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Mary Beth Farrell  
Assistant Deputy Comptroller  
St. Louis Field Office

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

<b>In the Matter of:</b>	)	
F&M Bank and Trust Company	)	AA-CE-2014-31
Hannibal, Missouri	)	

**STIPULATION AND CONSENT TO THE ISSUANCE  
OF A CONSENT ORDER**

**WHEREAS**, the Comptroller of the Currency of the United States of America (“Comptroller” or “OCC”) intends to initiate cease and desist proceedings against F&M Bank and Trust Company, Hannibal, Missouri (“Bank”), pursuant to 12 U.S.C. § 1818(b) through the issuance of a Notice of Charges, for unsafe and unsound banking practices relating to management, strategic planning, capital adequacy, credit administration practices, credit risk management, loan review practices, internal audit, consumer compliance management, and violations of law.

**WHEREAS**, the Bank, in the interest of compliance and cooperation, and without admitting or denying any wrongdoing, consents to the issuance of a Consent Order, dated April 22, 2014 (“Order”), that terminates and supersedes the Consent Order entered into with the Bank on August 28, 2012 (Docket Number AA-CE-12-106);

**NOW THEREFORE**, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:



## ARTICLE I

### Jurisdiction

(1) The Bank is a Federal Savings Association examined by the Comptroller pursuant to the Home Owners' Loan Act of 1933, as amended, 12 U.S.C. § 1461 *et. seq.*

(2) The Bank is a "savings association" within the meaning of 12 U.S.C. §§ 1813(b) and 1462(2). Accordingly, the Bank is an "insured depository institution" within the meaning of 12 U.S.C. §§ 1813(c) and 1818(b)(1).

(3) The Comptroller is "the appropriate Federal banking agency" regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).

## ARTICLE II

### Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Order by the Comptroller.

(2) This Order supersedes and terminates the Consent Order entered into with the Bank on August 28, 2012 (Docket Number AA-CE-12-106).

(3) The Bank acknowledges that said Order shall be deemed an "order issued with the consent of the depository institution" as defined in 12 U.S.C. § 1818(h)(2), and consents and acknowledges that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Bank

expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract.

(4) The Bank also expressly acknowledges that no officer or employee of the Comptroller has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller's exercise of his supervisory responsibilities.

### ARTICLE III

#### Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
  - (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
  - (b) any and all procedural rights available in connection with the issuance of the Order;
  - (c) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(i) and 12 C.F.R. Part 109;
  - (d) all rights to seek any type of administrative or judicial review of the Order; and
  - (e) any and all rights to challenge or contest the validity of the Order.

### ARTICLE IV

#### Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting

the Bank if, at any time, it deems it appropriate to do so to fulfill the responsibilities placed upon it by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

/s/

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Mary Beth Farrell  
Assistant Deputy Comptroller  
St. Louis Field Office

April 22, 2014

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Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>/s/</u> Donald Bastian	<u>4/22/14</u> Date
<u>/s/</u> Michael Bukstein	<u>4/22/2014</u> Date
<u>/s/</u> William Craigmiles	<u>22 April '14</u> Date
<u>/s/</u> Alvin (Spike) Ehrhardt	<u>4-22-2014</u> Date
<u>/s/</u> Charles (Chase) Hickman	<u>4-22-14</u> Date
<u>/s/</u> Stevens Plowman	<u>4/22/14</u> Date
<u>/s/</u> Paul Richards	<u>4-22-14</u> Date
<u>/s/</u> Phillip Smith	<u>4/22/2014</u> Date
<u>/s/</u> Gordon Spilker	<u>4-22-2014</u> Date