

**UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION**

In the Matter of:)

Mount Morris Savings and)
Loan Association)
Mount Morris, Illinois)

OTS Docket No. 02634)

Order No.: ATL-2007-11

Date: June 11, 2007

**STIPULATION AND CONSENT TO ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF**

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against Mount Morris Savings and Loan Association, Mount Morris, Illinois, OTS Docket No. 02634 (Institution) pursuant to 12 U.S.C. § 1818(b),¹ and

WHEREAS, the Institution desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding, and

WHEREAS, the Institution enters into this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief ("Stipulation"): (i) without any adjudication on the merits, (ii) without admitting or denying that such grounds exist to initiate an administrative cease and desist proceeding, (iii) without admitting or denying the Findings of Fact, except as to jurisdiction (paragraph 1 below), which jurisdiction is admitted, and (iv) solely for the purpose of settling this matter in

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

accordance with Rule 408 of the Federal Rules of Evidence and equivalent state provisions.

NOW, THEREFORE, on these premises, the Institution hereby stipulates and agrees as follows:

1. Jurisdiction

a. The Institution is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

b. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” to maintain an administrative cease and desist proceeding against such a savings association. Therefore, the Institution is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b). The Director of the OTS has delegated to the Regional Director of the Southeast Region of the OTS or his/her designee (Regional Director) the authority to issue cease and desist orders where the institution has consented to the issuance of the order.

2. OTS Findings of Fact The OTS finds that:

The Institution has engaged in unsafe and unsound activities and violations of laws and regulations as outlined in the August 14, 2006 Report of Examination of the Institution.

3. Consent The Institution consents to the issuance by the OTS of the accompanying Order to Cease and Desist for Affirmative Relief (“Order”). It further

agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. **Finality** The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers** The Institution waives the following:

- a. the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- b. the right to an administrative hearing of the OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- c. the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;
- d. any and all claims against the 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, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and
- e. the right to assert this proceeding, its consent to the issuance of the Order or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected** The Institution acknowledges and agrees that its consent to the issuance of the Order does not release,

discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against or any other proceeding that may be or has been brought by the OTS or another governmental entity.

7. **Reservation of Rights** The Institution acknowledges that OTS reserves the right to bring such additional action(s), charge(s), or proceeding(s) arising from or related in any way to the Findings of Fact or any other matter, as the OTS deems appropriate, in its sole discretion.

8. **Miscellaneous**

- a. The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;
- b. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;
- c. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof;
- d. If any provision of this Stipulation or the Order is ruled 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/her sole discretion determines otherwise; and
- e. This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

9. **Signature of Directors** Each Director signing this Stipulation attests

voted in favor of a resolution authorizing the execution of the Stipulation.

WHEREFORE, the Institution, by a majority of its directors, executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief, intending to be legally bound hereby.

OFFICE OF THRIFT SUPERVISION

Accepted by a majority
of its directors:

/s/
John E. Ryan
Regional Director
Southeast Region

Date: June 11, 2007

Michael H. McNett

/s/
Richard L. Noser

/s/
Bruce D. Obendorf

/s/

David A. Smith

cc: Illinois Department of Financial and Professional Regulation, Division of
Banking
FDIC

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In the Matter of:)

Mount Morris Savings and)
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Mount Morris, Illinois)

OTS Docket No. 02634)
_____)

Order No.: ATL-2007-11

Date: June 11, 2007

ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, Mount Morris Savings and Loan Association, Mount Morris, Illinois (Institution) has executed a Stipulation and Consent to Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, the Institution, by its execution of the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist for Affirmative Relief (Order) pursuant to Section 8(b) of the Federal Deposit Insurance Act and 12 U.S.C. § 1818(b);¹ and

WHEREAS, the Director of the Office of Thrift Supervision (OTS) has delegated to the Regional Directors of the OTS the authority to issue consent orders on behalf of the OTS pursuant to provisions of 12 U.S.C. § 1818.

NOW, THEREFORE, IT IS ORDERED THAT the Institution and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling,

¹ All reference to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

or the aiding and abetting of any unsafe or unsound practice detailed in the August 14, 2006 Report of Examination (Report of Examination) or any violation of:

- 12 C.F.R. § 563.177 (Procedures for monitoring Bank Secrecy Act (BSA) compliance)
- 31 C.F.R. Part 103 (Financial Recordkeeping and Reporting of Currency and Foreign Transactions)
- 12 C.F.R. § 560.101 and the related Appendix (Real Estate Lending Standards)
- 12 C.F.R. § 560.160 (Asset Classifications)
- 12 C.F.R. § 560.93 (Lending Limitations)
- 12 C.F.R. Part 215 (Regulation O)
- 12 C.F.R. § 563.43 (Loans to Executive Offices, Directors and Principal Shareholders)
- 12 C.F.R. Part 226 (Regulation Z)

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

BSA and Anti-Money Laundering (AML) Policies and Procedures

1. The Board of Directors of Mt Morris (Board) shall ensure that management implements and adheres to the Bank Secrecy Act/Anti-Money Laundering/OFAC Program adopted by the Board on May 15, 2007.

2. Within fifteen (15) days of the Effective Date of this Order, the Board shall conduct a thorough assessment of the Institution's BSA/AML risk exposure, based on products, services, customers, entities, and geographic locations that may expose Mt Morris to money laundering, terrorism financing or other illegal activities, taking into consideration information collected from the customer due diligence process. A copy of the results of this review should be provided to the OTS. The results should identify the number of accounts and the basis for determining that the accounts are either potentially medium or high risk.

3. The Board shall ensure that effective training on BSA, AML and Office of Foreign Asset Control (OFAC) regulations continues on a periodic basis. The Institution's BSA/AML Compliance Officer will maintain a training record for each Board member and employee evidencing his/her training.

Management

4. The Board shall ensure that the Institution has adequate senior management at all times.

Asset Quality

5. The Institution may not grant any new commercial loans until the Board prepares, adopts and submits to the Regional Director for review and non-objection a written commercial loan policy that complies with 12 C.F.R. §§ 560.101 and the related Appendix and 560.170 and employs an experienced commercial loan officer.

6. The Institution may not grant any new unsecured consumer loans with a term exceeding one (1) year and/or does not comply with 12 C.F.R. § 560.170 until the Board

prepares, adopts and submits to the Regional Director for review and non-objection a written consumer loan policy.

7. Within ninety (90) days of the Effective Date of this Order, the Board shall develop, adopt and implement an Allowance for Loan and Lease Losses (ALLL) Policy for the establishment and maintenance of valuation allowances in accordance with the provisions of 12 C.F.R. § 560.160(b), the guidance set forth in Section 261 of the OTS Examination Handbook and the December 13, 2006 Interagency Policy Statement on ALLL. The Board shall review and document compliance with the Institution's ALLL Policy at least once each calendar quarter.

8. Within sixty (60) days of the Effective Date of this Order, the Board shall develop, adopt and implement a revised Asset Classification Policy in accordance with the provisions of 12 C.F.R. § 560.160 and the guidance set forth in Section 260 of the OTS Examination Handbook. The Board shall review and document compliance with the Institution's Asset Classification Policy at least once each calendar quarter.

9. Within forty-five (45) days of the Effective Date of this Order, the Board shall develop a Loan Modification Policy for Regional Director approval. Until the Regional Director approves the policy, no modification of delinquent loans may be made without the prior approval of the Regional Director or his designee. Following Regional Director approval, the Board shall adopt and adhere to the Loan Modification Policy.

Thrift Financial Report (TFR)

10. The Board shall ensure that management files an accurate TFR.

Loans to One Borrower (LTOB)

11. Within sixty (60) days of the Effective Date of this Order, the Board shall develop, adopt and implement policies and procedures to ensure the Institution's compliance with its LTOB limitations as set forth in 12 C.F.R. § 560.93. The Board shall review and document the Institution's compliance with its LTOB limit at least once each calendar quarter.

Compliance with Order

12. The Board shall take immediate action to cause the Institution to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Order.

13. The Board, on a monthly basis, beginning with the first full month after the Effective Date of this Order, shall adopt a Board resolution (the 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 calendar month, the Bank has 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.

14. No later than the 25th calendar day of the month following the end of a month, beginning with the end of the first full month following the Effective Date of this Order, the Institution shall provide to the Regional Director a certified true copy of the Compliance Resolution(s) adopted at the Board meeting. The Board, by virtue of the Institution's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements

set forth in each Compliance Resolution, except as provided below. In the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution.

15. The Board shall promptly respond to any request from the OTS for documents that the OTS reasonably requests to demonstrate compliance with this Order.

Definitions

16. All technical words or terms in this Order and the Stipulation for which meanings are not specified by the provisions of this Order shall, insofar as applicable, have meanings as defined in the BSA Requirements, Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act (HOLA), Federal Deposit Insurance Act (FDIA), or OTS publications. Any such technical words or terms used in this Order and undefined in the BSA Requirements, Code of Federal Regulations, HOLA, FDIA or OTS publications, shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance

17. Reference in this Order to provisions of statutes, regulations, OTS memoranda, and other published regulatory guidance shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

No Violation Authorized; OTS Not Restricted

18. Nothing in this Order or the Stipulation 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 or estopping the OTS from taking any action(s) that it believes

are appropriate in fulfilling the responsibilities placed upon it by law including, without limitation, any type of supervisory, enforcement or other action that OTS determines to be appropriate, arising out of matters described in the Report of Examination, or based on other matters.

Miscellaneous

19. Time limitations for compliance with the terms of this Order, unless otherwise specified, run from the Effective Date.

20. The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

21. In case any provision in this Order is ruled to be invalid, illegal or unenforceable by a 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/her sole discretion determines otherwise.

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

Notices

23. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:

- (i) The OTS, by the Institution, shall be sufficient for every purpose

hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Deputy Director, Office of Thrift Supervision, Department of the Treasury, One South Wacker Drive, Suite 2000, Chicago, Illinois, 60606 or telecopied to (312) 917-5001 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

(ii) The Institution, by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Board of Directors, Mount Morris Savings and Loan Association at 18 West Main Street, Mt Morris, Illinois 61054, or telecopied to (815) 734-6950 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

24. Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by the United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

Effective Date; Duration

25. This Order is and shall become effective on the date it is issued, *i.e.*, the Effective Date as shown on the first page hereof. This Order (including the related Stipulation) shall remain in effect until terminated, modified, or suspended, in writing by

the OTS, acting through its Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: /s/
John E. Ryan
Regional Director
Southeast Region