

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

_____)	
In the Matter of)	
)	
BRIMFIELD BANK)	CONSENT ORDER
BRIMFIELD, ILLINOIS)	
)	FDIC-10-554b
(Illinois Chartered)	
Insured Nonmember Bank))	
_____)	

Brimfield Bank, Brimfield, Illinois ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law or regulation related to its compliance management system alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and having waived those rights, entered into a STIPULATION TO THE ISSUANCE OF A CONSENT ORDER ("STIPULATION") with counsel for the Federal Deposit Insurance Corporation ("FDIC"), dated October 21, 2010, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law or regulation relating to its compliance management system as set forth in the FDIC's Compliance Report of the Bank as of March 26, 2009 ("Compliance Report"), the Bank consented to the issuance of a CONSENT ORDER ("ORDER") by the FDIC.

The FDIC considered the matter and determined to accept the STIPULATION.

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC HEREBY ORDERS that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

BOARD OVERSIGHT

1. From the effective date of this ORDER, the Bank's board of directors ("Board") shall participate fully in the oversight of the Bank's Compliance Management System, to include assuming full responsibility for the approval of sound compliance policies and objectives and for the supervision of all of the Bank's compliance-related activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. Without limiting the foregoing, the Board shall convey to management clear and unequivocal expectations regarding compliance.

(a) Within sixty (60) days from the effective date of this ORDER, the Bank's Board shall appoint a compliance committee ("Compliance Committee") to include at least one (1) director who is not an active officer of the Bank and at least one (1) member of senior management. In addition, the Compliance Officer or

Compliance Officers retained pursuant to this ORDER shall participate in the meetings of the Compliance Committee in a non-voting capacity.

(b) The existence of the Compliance Committee in no way diminishes the responsibility of the entire Board for ensuring compliance with the provisions of this ORDER.

(c) The Bank's Board, in conjunction with the Compliance Committee, shall allocate resources to the compliance area that are:

(i) Commensurate with the level of complexity of the Bank's operations to ensure the establishment and implementation of an adequate Compliance Management System, including procedures ensuring the Bank's compliance with Consumer Laws; and

(ii) Sufficient to ensure the Bank's timely compliance with the provisions of this ORDER.

(d) The Bank's Board shall ensure that each Compliance Officer:

(i) has and retains sufficient authority and independence to implement policies related to Consumer Laws and to institute corrective action as needed. This authority shall include the ability to cross departmental

lines, have access to all areas of the Bank's operations, and effectuate corrective action upon discovering deficiencies.

- (ii) receives ongoing training, sufficient time, and adequate resources to effectively oversee, coordinate, and implement the Bank's Compliance Management System.

(e) The Bank's Board, in conjunction with the Compliance Committee, shall:

- (i) Ensure that the duties and responsibilities of each Compliance Officer are clearly defined and provide for accessibility to both the Board and senior management;
- (ii) Require each Compliance Officer to prepare monthly written reports and to present the reports to the Board;
- (iii) Require each Compliance Officer to review and respond promptly in writing to audit reports relating to all areas of the Bank's Compliance Management System; and
- (iv) Require each Compliance Officer to prepare a schedule of requirements for Consumer Laws for which that Compliance Officer is responsible (such as the type and timing of

disclosures), so that Bank employees will be informed of the requirements relating to their duties.

(f) Within sixty (60) days from the effective date of this ORDER, the Bank's Board shall have in place a procedure that will provide for monitoring of the Bank's compliance with this ORDER.

(i) The procedure shall include, but not be limited to, meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: minutes of the Compliance Committee, Compliance Officer reports, Compliance Management Program audit reports, compliance program policies, and compliance with this ORDER. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

(ii) The Compliance Committee shall report to the Board at each Board meeting held while the ORDER is in effect. The minutes of the Compliance Committee shall be reviewed by the Board at its monthly meeting, and the minutes

of the Board shall document these reviews and approvals, including the names of any dissenting directors.

- (iii) All progress reports and other written responses to this ORDER shall be reviewed and signed by each member of the Board, and such reviews shall be recorded in the minutes of the applicable Board meeting. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") has released, in writing, the Bank from making additional reports.

(g) The Board shall ensure proper follow-up and resolution to audit and examination findings.

(h) The Board shall hold employees accountable for following adopted policies, procedures and regulatory requirements and develop an internal monitoring system of employees' performance to ensure that such policies, procedures and regulatory requirements are adequately implemented.

MANAGEMENT

2. (a) While this ORDER is in effect, the Bank shall have and retain management that meets the qualifications set forth in

(b) below regarding the Bank's Compliance Management System. Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank relating to its Compliance Management System. Each applicable member of management shall be provided appropriate written authority from the Bank's Board to implement the provisions of this ORDER.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this ORDER;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations;
and
- (iv) develop, implement and administer a satisfactory Compliance Management System, as described in the FDIC's Compliance Examination Manual, Section II-2.1 ("Compliance Management System Guidance").

COMPLIANCE OFFICER

3. Within sixty (60) days from the effective date of this ORDER, the Bank shall have and retain a Compliance Officer or Compliance Officers who, individually or in the aggregate, possess the requisite knowledge, experience and resources to administer an effective Compliance Management System and who does

not, or do not, have such other duties or responsibilities of such a volume or nature as would impede the performance of this compliance function. One Compliance Officer retained by the Bank may be an independent contractor or an employee of an independent contractor until such time as the Bank has fully developed an in-house compliance team appropriate for the Bank's product and service offerings and level of complexity.

(a) The responsibilities of each Compliance Officer shall, at a minimum, include:

- (i) Developing compliance policies and procedures, and conducting regular reviews to ensure that updates are accomplished as necessary;
- (ii) Administering a compliance training program and providing training in Consumer Laws to the Bank's Board, Bank management and employees on a continuing basis; and
- (iii) Coordinating responses to consumer complaints.

(b) The ongoing determination of whether the Bank has retained qualified Compliance Officers within the meaning of this ORDER shall be based upon the continued effectiveness of the Bank in achieving compliance with the requirements of this ORDER and

with the Consumer Laws.

COMPLIANCE MONITORING

4. Within ninety (90) days from the effective date of this ORDER, the Bank shall ensure that effective compliance monitoring procedures are developed and incorporated into the normal activities of every department. The procedures required by this paragraph shall be acceptable to the Regional Director as determined at subsequent examinations or visitations of the Bank. At a minimum, monitoring procedures should include ongoing reviews of:

- (a) Applicable departments;
- (b) Disclosures and calculations for various loan and deposit products;
- (c) Document filing and retention procedures;
- (d) Marketing literature and advertising; and
- (e) An internal compliance communication system that provides updates resulting from revisions to Consumer Laws to Bank appropriate personnel.

COMPLIANCE CONSULTANT

5. Within thirty (30) days from the effective date of this ORDER, the Bank shall have and retain a qualified consultant with the requisite knowledge and experience to assist the Bank in developing an effective Compliance Management System and the

policies and procedures to administer an effective Compliance Management System.

(a) The Bank shall provide the Regional Director with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum should include:

- (i) A description of the work to be performed under the contract or engagement letter;
- (ii) The responsibilities of the consultant;
- (iii) An identification of the professional standards covering the work to be performed;
- (iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the consultant's employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the reported findings; and
- (viii) A provision for unrestricted examiner access to workpapers.

(b) At a minimum, the Compliance Management System developed with the assistance of the consultant shall address

those items described in the Compliance Management System Guidance.

TRAINING PROGRAM

6. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop a training program, acceptable to the Regional Director as determined at subsequent examinations or visitations, related to Consumer Laws for all Bank personnel, including senior management and the Board, commensurate with their individual job functions and duties.

COMPLIANCE POLICY AND PROCEDURES

7. Within ninety (90) days from the effective date of this ORDER, the Bank shall develop and implement a Compliance Policy, acceptable to the Regional Director as determined at subsequent examinations or visitations. At a minimum, this Policy shall:

(a) Require the adoption of a comprehensive compliance program, which will be reviewed and approved annually by the Board; and

(b) Require the development of internal monitoring procedures to ensure that:

(i) The Bank's actual practices reflect the Compliance Policy;

(ii) All Consumer Laws are being followed; and

(iii) Reviews are conducted on a regular basis, but not less often than monthly, at the

transactional level during the normal daily activities of employees in all operating units of the Bank.

EXTERNAL AUDIT

8. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall cause an external audit to be conducted to ensure compliance with Consumer Laws. Further, the audit will assess the Bank's Compliance Management System in conjunction with the Compliance Management System Guidelines, and at a minimum, shall:

- (i) Define a comprehensive audit scope;
- (ii) Identify the number of transactions sampled by category or product type;
- (iii) Identify deficiencies;
- (iv) Provide descriptions of or suggestions for corrective actions and time frames for correction; and
- (v) Establish follow-up procedures to verify that corrective actions were implemented and effective.

(a) Audit findings, deficiencies, and recommendations must be documented in a written report and provided to the Board within ten (10) days after completion of the external audit.

(b) Within thirty (30) days of receipt of the external

auditor's written report, the Board shall take action to address the audit findings, correct any deficiencies noted, and implement any recommendations or explain in a writing signed by all Board members, why a particular recommendation has not been implemented.

(c) The Bank shall provide the Regional Director with a copy of the proposed engagement letter with the external auditor for review before it is executed. The engagement letter, at a minimum, should include:

- (i) A description of the work to be performed under the engagement letter;
- (ii) The responsibilities of the external auditor;
- (iii) An identification of the professional standard covering the work to be performed;
- (iv) Identification of the specific procedures to be used when carrying out the work to be performed;
- (v) The qualifications of the employee(s) who are to perform the work;
- (vi) The time frame for completion of the work;
- (vii) Any restrictions on the use of the

reported findings;

- (viii) A provision for unrestricted examiner access to work papers;
- (ix) A provision stating that the external auditor will present the audit findings directly to the Board.

(d) After receipt of the external audit, the Bank shall, on a quarterly basis, have subsequent external audits conducted. The subsequent audits shall comply with all of the provisions of this paragraph.

(e) The external auditor required by this Paragraph must be independent from the consultant required by Paragraph 5 of this Order.

(f) A copy of any external audit(s) received by the Bank shall be submitted to the Regional Director.

DOCUMENTATION OF AUDIT FINDINGS

9. Within one hundred twenty (120) days from the effective date of this ORDER, the Bank shall formulate, adopt, and implement procedures, acceptable to the Regional Director as determined at subsequent examinations or visitations, to ensure that Bank responses to audit findings, as well as Bank corrective actions in response to audit findings, are documented and reported to the Board.

CORRECT VIOLATIONS

10. Within thirty (30) days from the effective date of this ORDER, the Bank shall eliminate or correct all violations of Consumer Laws identified in the Compliance Report. In addition, within sixty (60) days from the effective date of this ORDER, the Bank shall establish and implement procedures, acceptable to the Regional Director as determined at subsequent examinations or visitations, as part of its Compliance Policy to ensure future compliance with all Consumer Laws.

HOME MORTGAGE DISCLOSURE ACT

11. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Home Mortgage Disclosure Act, 12 U.S.C. § 2801, et seq., ("HMDA") and its implementing regulations found at 12 C.F.R. Part 203.

(b) Within thirty (30) days from the effective date of this ORDER, the Bank shall refile its 2008 HMDA Loan Application Register with the Federal Reserve Board.

FLOOD INSURANCE PROGRAM COMPLIANCE

12. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall adopt and implement systems and controls to ensure compliance with the Flood Disaster Protection Act of 1973, 42 U.S.C. §§ 4002-4128, and Part 339 of the FDIC Rules and Regulations, 12 C.F.R. Part 339.

(b) From the effective date of this ORDER, the Bank shall retain all documentation for loans with properties located in special flood hazard areas including, but not limited to, flood insurance policies to show continuation of insurance and amount of insurance, documented property values for those properties subject to flood insurance requirements, standard flood hazard determination forms, notes and renewal or extension documentation, hazard insurance policies, special notices, and any correspondence to customers regarding flood insurance.

DISCLOSURE TO SHAREHOLDERS

13. Following the effective date of this ORDER, the Bank shall send to its shareholders or otherwise furnish a description of this ORDER in conjunction with the earlier of the Bank's next written shareholder communication or the notice or proxy statement distributed to the Bank's shareholders in connection with its next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement or notice shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429, at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or

statement.

PROGRESS REPORTS

14. Within thirty (30) days from the end of the first calendar quarter following the effective date of this ORDER, and within thirty (30) days after the end of each successive calendar quarter thereafter, the Bank shall furnish written progress reports to the Regional Director detailing the form and manner of any action taken to secure compliance with this ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of its issuance by the FDIC.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, successors, and assigns.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, suspended, or set aside by the FDIC.

Pursuant to delegated authority.

Dated this 27th day of October, 2010.

/s/ _____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

