

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

STATE OF MISSOURI
MISSOURI DIVISION OF FINANCE
JEFFERSON CITY, MISSOURI

Written Agreement by and among)	
)	
MID AMERICA BANK AND TRUST COMPANY)	Docket No. 07-009-WA/RB-SM
Dixon, Missouri)	
)	
FEDERAL RESERVE BANK OF ST. LOUIS)	
St. Louis, Missouri)	
)	
and)	
)	
MISSOURI DIVISION OF FINANCE)	
Jefferson City, Missouri)	
)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Mid America Bank and Trust Company, Dixon, Missouri (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Federal Reserve Bank of St. Louis (the “Reserve Bank”), the Missouri Division of Finance (the “Division”), and the Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on June 8, 2007, the board of directors of the Bank at a duly constituted meeting, adopted a resolution authorizing and directing Greg Luehmann, President, to enter into this Agreement on behalf of the Bank, and consenting to compliance by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (“the FDI Act”) (12 U.S.C. § 1813(u)), with each and every provision of this Agreement.

NOW, THEREFORE, the Bank, Reserve Bank, and the Division hereby agree as follows:

New Management

1. The Bank shall continue to take such actions as are necessary to employ a permanent, full-time chief lending officer with the requisite ability, qualifications, and demonstrated experience needed to oversee the lending function within 60 days of this Agreement.

Board Oversight

2. Within 90 days of this Agreement, the board of directors shall submit to the Reserve Bank and the Division a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank's condition and maintain effective oversight of the Bank's senior management and major operations and activities, including, at a minimum:

- (i) the credit risk management program, including loan underwriting, documentation, and administration;
- (ii) internal control systems;
- (iii) management information systems;
- (iv) the internal audit function; and
- (v) the Bank's conflict of interest policy; and

(b) the responsibility of the board of directors to monitor management's adherence to approved policies and procedures, and applicable laws and regulations.

Loan Policies, Procedures, and Administration

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written loan policy and procedures that shall, at a minimum, address, consider, and include:

- (a) Underwriting standards that:
 - (i) are appropriate for each type of loan product offered by the Bank;
 - (ii) require documented source of repayment and debt service ability; and
 - (iii) emphasize the importance of cash flow analysis as appropriate and ensure that financial statements, tax returns, and other financial data indicating the borrower's capacity to repay the loan are sufficiently current;
- (b) procedures for renewing, extending, or modifying existing loans, including procedures for documenting the basis for each renewal, extension or modification;
- (c) a prohibition on the capitalization of interest unless:
 - (i) such capitalization of interest on the loan receives prior written approval of the loan committee of the Bank's board of directors after full disclosure of the circumstances underlying the recommendation that interest be capitalized; and
 - (ii) the Bank's full board of directors is apprised that interest has been capitalized on the loan, and the status of the loan is thereafter monitored;
- (d) controls to ensure adherence to all loan policies and procedures, including, but not limited to, overdraft policies and procedures and the waiving of overdraft or late fees, and prompt notification to the board of directors of any exceptions, including an explanation of why the exception is in the best interest of the Bank;

(e) procedures for analyzing aggregate credit exposure to single borrowers and related interests;

(f) a requirement that any loan which has been or is to be restructured due to a borrower's financial difficulty or inability to pay according to the original terms of the loan be reported as a "troubled debt restructuring" in accordance with the instructions for filing the Bank's Report of Condition and Income;

(g) collateral valuation and real estate appraisal requirements, including, at a minimum:

(i) guidelines on when real estate appraisals and other valuations of loan collateral are required;

(ii) guidelines for initial and periodic validation of non-real estate loan collateral; and

(iii) compliance with the Interagency Statements on Independent Appraisal and Evaluation Functions, dated October 28, 2003, and Appraisal and Evaluation Guidelines, dated October 27, 1994, as well as the requirements of Subpart G of Regulation Y of the Board of Governors of the Federal Reserve System (the "Board of Governors") (12 C.F.R. Part 225, Subpart G), made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50), and the Board of Governors' Guidelines for Real Estate Appraisal Policies and Review; and

(h) collection policies and procedures that are designed to ensure that the Bank's past due and nonaccrual loan levels remain at a manageable level.

4. Within 90 days of this Agreement, the Bank shall take steps to determine the status of the guarantees on all Small Business Administration ("SBA") guaranteed loans directly

with the SBA and notify the Reserve Bank and the Division of the results. The Bank shall provide updates regarding the status of the SBA guarantees to the Reserve Bank and the Division on a quarterly basis.

5. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division acceptable written procedures for loan administration that shall, at a minimum, address, consider, and include:

- (a) Separation of duties among the lending, credit administration, and loan operations functions;
- (b) the disbursement of loan proceeds;
- (c) responsibilities for exceptions tracking;
- (d) release of collateral;
- (e) reconciliation of accounts;
- (f) maintenance of an accurate watch list and an effective independent loan review program; and
- (g) the deficiencies in loan operations noted in the Report of Examination of the Bank conducted by the Reserve Bank, commenced on January 8, 2007 (the "Report of Examination").

Asset Improvement Plan

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or aggregate relationship in excess of \$100,000 that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's watch list; or (iii) was adversely classified or listed as special mention in the Report of Examination.

(b) Within 30 days of the date that any additional loan, other asset, in excess of \$100,000 becomes past due as to principal and interest for more than 90 days, is adversely classified internally by the Bank, or is adversely classified or listed for special mention in any subsequent report of examination or visitation of the Bank, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days of the end of the each quarter, the Bank shall submit a written progress report to the board of directors, the Reserve Bank, and the Division to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset, changes in the nature and value of supporting collateral, and a copy of the Bank's current internal watch list, time renewal report, extension report, and past due/non-accrual report.

Allowance for Loan and Lease Losses

7. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter, the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss," unless approved in writing to do otherwise by the Reserve Bank and the Division.

(b) The Bank shall maintain, in accordance with generally accepted accounting principles ("GAAP"), an adequate valuation reserve for loan and lease losses (the "ALLL"). The adequacy of the ALLL shall be determined in accordance with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 and December 13, 2006. The elements of supervisory

guidance to be considered shall include, but are not limited to, the reliability of the Bank's loan grading system, the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan portfolio, including the potential for the existence of unidentified losses in loans adversely classified, the imprecision of loss estimates, and examiners' criticisms noted in the Report of Examination.

(c) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division a description of the methodology used to determine the Bank's ALLL. Thereafter, the Bank shall conduct, at least on a quarterly calendar basis, an assessment of its ALLL and, within 30 days of the end of each calendar quarter, shall submit to the Reserve Bank and the Division the quarterly assessment, including the methodology used in determining the amount of ALLL for that quarter. The Bank shall maintain for subsequent supervisory review documentation to support the methodology used for each quarterly assessment.

Capital Plan

8. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written joint plan to achieve and maintain sufficient capital at the Bank. The plan shall, at a minimum, address, consider, and include the Bank's current and future capital requirements, including:

- (a) Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier I Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);
- (b) the volume of adversely classified assets;
- (c) the adequacy of the loan loss reserve;
- (d) any planned asset growth;

D. D.

- (e) the anticipated level of retained earnings;
- (f) anticipated and contingent liquidity needs; and
- (g) the source and timing of additional funds to fulfill the future capital and loan loss reserve needs of the Bank.

9. The board of directors shall monitor and review the sufficiency of the Bank's capital position on a monthly basis and shall reflect such reviews in the minutes of the board of directors meetings.

Liquidity Contingency Plan

10. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable contingency funding plan to identify potential liquidity funding sources.

Earnings Plan and Budget

11. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division a written strategic business plan for 2007 for improving the earnings and overall condition of the Bank. The plan, at minimum, shall provide for or describe:

- (i) identification of the major areas in and means by which the Bank's board of directors will seek to improve the Bank's operating performance;

- (ii) realistic and comprehensive budgets;

- (iii) a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components and provisions needed to establish and maintain an adequate loan loss reserve; and

- (iv) a budget review process incorporating the use of pro forma income statements in the analysis of budgeted versus actual income and expenses.

(b) A business plan and budget for each calendar year subsequent to 2007 shall be submitted to the Reserve Bank and the Division at least one month prior to the beginning of that calendar year.

Information Technology

12. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to improve the Bank's information technology function, which shall, at a minimum, address, consider, and include:

(a) An information security risk assessment and annual status report, as required by Appendix D-2 to Regulation H of the Board of Governors (12 C.F.R. Part 208, App. D-2), to enable the Bank to meet all applicable requirements for protecting nonpublic customer information and to assist the Bank in making future appropriate adjustments to its information security safeguards;

(b) revisions to current policies, procedures, and controls to address information security;

(c) procedures and controls to strengthen the effectiveness and integrity of the Bank's information security program, including but not limited to segregation of duties and password security; and

(d) information security and technology deficiencies noted in Report of Examination.

Compliance with Laws, Rules, and Regulations

13. The Bank shall immediately take all steps necessary to correct the violations of laws, rules, and regulations cited in the Report of Examination and to ensure future compliance with applicable federal and state banking laws, rules, and regulations by the Bank.

Appointment of New Officers and Directors, and Severance and Indemnification Payments

14. The Bank shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*) in the appointment of new directors and the hiring or promotion of senior executive officers and with the restrictions on severance payments and indemnification of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Dividends

15. The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank, the Director of the Division of Banking Supervision and Regulation of the Board of Governors, and the Division. All requests for prior approval shall be received by the Reserve Bank and the Division at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on cash flow, capital, asset quality, and ALLL needs of the Bank.

Compliance Committee

16. Within 10 days of this Agreement, the board of directors of the Bank shall appoint a committee to monitor and coordinate the Bank's compliance with the provisions of this Agreement (the "Compliance Committee"). The Compliance Committee shall include at least one outside director who is not an executive officer or principal shareholder of the Bank, as defined in sections 215.2(e)(1) and (m)(1) of Regulation O of the Board of Governors (12 C.F.R §§ 215.2(e)(1) and (m)(1)). At a minimum, the Compliance Committee shall keep detailed minutes of each meeting and shall report its findings to the board of directors monthly.

Approval, Implementation, and Progress Reports

17. (a) The Bank shall submit written policies, procedures, plans, and programs that are acceptable to the Reserve Bank and the Division within the applicable time periods set forth in paragraphs 3, 5, 6, 8, 10, and 12 of this Agreement.

(b) The Bank shall adopt the approved policies, procedures, plans, and programs within 30 days of approval by the Reserve Bank and the Division. During the term of this Agreement, the approved policies, procedures, plans, and programs shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Division.

(c) Once adopted, the Bank shall take immediate steps to implement the approved policies, procedures, plans, and programs and thereafter shall continue to fully comply with the policies, procedures, plans, and programs.

18. Within 30 days after the end of each calendar quarter (June 30, September 30, December 31, and March 31) following the date of this Agreement, the board of directors shall submit to the Reserve Bank and the Division a written progress report detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the Reserve Bank and the Division have, in writing, released the Bank from making further reports.

Communications

19. All communications regarding this Agreement shall be sent to:

- (a) Mr. Timothy A. Bosch
Vice President
Federal Reserve Bank of St. Louis
Banking Supervision and Regulation Division
P.O. Box 442
St. Louis, Missouri 63166-0442

(b) Mr. D. Eric McClure
Commissioner
Missouri Division of Finance
P.O. Box 716
Jefferson City, Missouri 65102

Mr. Greg Luehmann
President
Mid America Bank and Trust Company
216 West Second Street
Dixon, Missouri 65459

Miscellaneous

20. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank and the Division may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

21. The provisions of this Agreement shall be binding upon the Bank, and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

22. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended in writing by the Reserve Bank and the Division.

23. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, the Division, or any other federal or state agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties or their successors or assigns.

