

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

Written Agreement by and among

THE TEMPLAR FUND, INC.  
St. Louis, Missouri

TRUMAN BANCORP, INC.  
St. Louis, Missouri

FFC FINANCIAL CORPORATION  
St. Louis, Missouri

TRUMAN BANK  
Clayton, Missouri

and

FEDERAL RESERVE BANK OF ST. LOUIS  
St. Louis, Missouri

Docket No. 08-053-WA/RB-HC  
08-053-WA/RB-SM

WHEREAS, The Templar Fund, Inc., Truman Bancorp, Inc., and FFC Financial Corporation, all of St. Louis, Missouri and registered bank holding companies (collectively, the “Companies”) own and control Truman Bank, Clayton, Missouri (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, and various nonbank subsidiaries;

WHEREAS, in recognition of their common goal to maintain the financial soundness of the Companies and the Bank, the Companies, the Bank, and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on December 10, 2008, the boards of directors of the Companies and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Richard Miller to enter into this Agreement on behalf of the Companies and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by the Companies and the Bank and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, the Companies, the Bank, and the Reserve Bank agree as follows:

### **Management and Staffing Review**

1. (a) Within 30 days of this Agreement, the board of directors of the Bank shall engage an independent consultant acceptable to the Reserve Bank to conduct a review of the effectiveness of the Bank's corporate governance and management structure (the "Review") and to prepare a written report of findings and recommendations (the "Consultant's Report"). The terms of the contract with the consultant shall require that the Review be completed within 45 days of the retention of the consultant and that the Consultant's Report be submitted to the board of directors within 10 days of the completion of the Review. The Review shall, at a minimum, address, consider, and include:

- (i) the identification of the type and number of officer positions needed to manage and properly supervise the affairs of the Bank, especially in the areas of loan administration, review and workout;
- (ii) an evaluation of each of the Bank's officers to determine whether the individual possesses the ability, experience, and other qualifications required to competently perform present and anticipated duties,

particularly in the areas of loan administration, review and workout; and restore and maintain the Bank to a safe and sound condition; and comply with the requirements of this Agreement; and

(iii) an assessment of the current structure and composition of the board of directors and its committees, and a determination of the structure and composition needed to adequately supervise the affairs of the Bank.

(b) The board of directors of the Bank shall forward a copy of the Consultant's Report to the Reserve Bank within five days of its receipt.

(c) Within 30 days of the Bank's receipt of the Consultant's Report, the Bank shall submit to the Reserve Bank a written plan that fully addresses the findings and recommendations in the Consultant's Report regarding management and board oversight and describes the specific actions, including timeframes, that the board of directors proposes to take in order to strengthen the Bank's management.

### **Concentrations of Credit**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to strengthen the Bank's management of commercial real estate ("CRE") concentrations, including steps to reduce or mitigate the risk of concentrations in light of current market conditions. The plan shall, at a minimum, include:

(a) Procedures to identify, limit, and manage concentrations of credit that are consistent with the Interagency Guidance on Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, dated December 12, 2006 (SR 07- 1); and

(b) procedures to ensure compliance with the Interagency Guidelines for Real Estate Lending Policies, Appendix C of Regulation H of the Board of Governors of the Federal

Reserve System (the “Board of Governors”) (12 C.F.R. Part 208, App. C), particularly with regard to supervisory loan-to-value limits.

### **Lending and Credit Administration**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan that describes the specific actions that the board of directors proposes to take to strengthen lending and credit administration practices. The plan shall, at a minimum, address, consider, and include:

(a) Procedures for timely and accurate identification of credit risk in the loan portfolio;

(b) procedures to correct all documentation and credit information deficiencies noted in the Report of Examination of the Missouri Division of Finance of August 11, 2008 (the “Report of Examination”), including the adoption of enhanced written policies and procedures designed to minimize loan documentation exceptions and strengthen the timely gathering of loan documentation.

(c) revisions to the loan policy to enhance underwriting requirements for CRE loans and address the deficiencies noted in the Report of Examination;

(d) measures to improve the oversight of the appraisal process to ensure that appraisals are performed by qualified appraisers; and

(e) the adoption of written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed or when there are changes in market conditions or the condition of the collateral.

## **Asset Improvement**

4. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, “loss” in the Report of Examination or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified “doubtful” or “substandard” in the Report of Examination or in any subsequent report of examination, without the prior approval of the board of directors. The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank’s interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank’s written loan policy, is adequately secured, and a thorough credit analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank’s interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower’s credit file for subsequent supervisory review. For

purposes of this Agreement, the term “related interest” is defined as set forth in section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

5. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written asset improvement plan designed to improve the Bank’s position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$1,000,000, including other real estate owned (“OREO”), 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 problem loan list; or (iii) was adversely classified in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$1,000,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank’s problem loan list, or is adversely classified in any subsequent report of examination of the Bank, the Bank shall submit to the Reserve Bank an acceptable written plan to improve the Bank’s position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank’s current problem loan list, extension report, and past due/non-accrual report.

#### **Allowance for Loan and Lease Losses**

6. (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 otherwise approved in writing by the Reserve Bank.

(b) The Bank shall maintain its allowance for loan and lease losses (“ALLL”) methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17). The ALLL methodology shall maintain an adequate ALLL and shall address, at a minimum, the reliability of the Bank’s loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank’s loan portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank, within 30 days after the end of each calendar quarter, a written report regarding the board

of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan to 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 1 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 ALLL;

(d) any planned asset growth;

(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 ALLL needs of the Bank.

8. The Bank's 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.

### **Dividends**

9. (a) The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the "Director") of the Board of Governors.



(b) The Companies shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director.

(c) The Companies and any nonbank subsidiary shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(d) The Companies and their nonbank subsidiaries shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(e) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at minimum, current and projected information on the Companies' capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and ALLL; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, the Companies must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

### **Debt and Stock Redemption**

10. (a) The Companies and any nonbank subsidiary shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for

debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) The Companies shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Liquidity/Funds Management**

11. Within 60 days of this Agreement, the Bank shall submit to the Reserve an acceptable revised written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

(a) Measures to enhance the monitoring and reporting of the Bank's liquidity positions; and

(b) the deficiencies related to funds management and liquidity noted in the Report of Examination.

12. Within 60 days of this Agreement, the Bank shall revise and submit to the Reserve Bank an acceptable written contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

### **Strategic Plan**

13. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank a written three-year strategic plan to improve the Bank's earnings, including a budget for each year. The written plan and budget shall include, but not be limited to:

(i) Identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;

- (ii) financial performance objectives, including plans for asset growth and earnings supported by detailed monthly and annual pro forma financial statements, including projected budgets, balance sheets, and income statements;
- (iii) a realistic and comprehensive budget that includes 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 and adequate ALLL; 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) The strategic plan, including a budget, for each calendar year subsequent to 2009 shall be submitted to the Reserve Bank at least one month prior to the beginning of that calendar year.

### **Compliance with Laws and Regulations**

14. (a) The Bank shall immediately take steps to correct the violations of laws and regulations noted in the Report of Examination. In addition, the board of directors shall take necessary steps to ensure future compliance with all applicable laws and regulations.

(b) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Companies and 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.).

(c) The Companies and the Bank shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359.

### **Approval and Implementation of Plans and Program**

15. (a) The Bank shall submit written plans and a program that are acceptable to the Reserve Bank within the applicable time periods required by paragraphs 2, 3, 5(a), 5(b), 6(c), 7, 11, and 12 of this Agreement. An independent consultant acceptable to the Reserve Bank shall be retained by the Bank within the time period set forth in paragraph 1 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, the Bank shall adopt the approved plans and program. Upon adoption, the Bank shall implement the approved plans and program and thereafter fully comply with them.

### **Progress Reports**

16. Within 30 days after the end of each calendar quarter following the date of this Agreement, the Companies and the Bank shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof.

## **Communications**

17. All communications regarding this Agreement shall be sent to:
  - (a) Mr. Timothy A. Bosch  
Vice President  
Federal Reserve Bank of St. Louis  
1421 Dr. Martin Luther King Drive  
St. Louis, Missouri 63106-3716
  - (b) Mr. Richard Miller  
Chairman of the Board  
8151 Clayton Road  
Clayton, Missouri 63117

## **Miscellaneous**

18. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Companies and the Bank to comply with any provision of this Agreement.
19. The provisions of this Agreement shall be binding upon the Companies, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.
20. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.
21. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Companies, the Bank, any nonbank subsidiary of the Companies, or any of their current or former institution-affiliated parties and their successors and assigns.

22. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 10th day of December, 2008.

THE TEMPLAR FUND, INC.  
TRUMAN BANCORP, INC.  
FFC FINANCIAL CORPORATION  
TRUMAN BANK

FEDERAL RESERVE BANK  
OF ST. LOUIS

By: /s/ Richard J. Miller  
Richard Miller  
Chairman of the Board

By: /s/ Timothy A. Bosch  
Timothy A. Bosch  
Vice President