

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)	
)	
EXCHANGE BANK OF MISSOURI)	Docket No. 06-013-WA/RB-SM
Fayette, Missouri)	
)	
FEDERAL RESERVE BANK OF KANSAS CITY)	
Kansas City, Missouri)	
)	
and)	
)	
MISSOURI DIVISION OF FINANCE)	
Jefferson City, Missouri)	
)	

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of Exchange Bank of Missouri, Fayette, Missouri (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, the Federal Reserve Bank of Kansas City (the “Reserve Bank”), the Missouri Division of Finance (the “Division”), and the Bank have mutually agreed to enter into this Written Agreement (the “Agreement”);

WHEREAS, on August 14, 2006 the board of directors, at a duly constituted meeting, adopted a resolution authorizing and directing Donald E. Thompson, chairman of the board of directors, 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, the Reserve Bank, and the Division hereby agree as follows:

1. Within 60 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 identification and establishment of board of directors' committees that are needed to provide guidance and oversight to Bank management;

(b) the actions that the boards of directors will take to improve the Bank's condition and maintain effective control over and supervision of the organization's senior management and major operations and activities, including, at a minimum:

(i) the credit risk management program, including loan underwriting, administration, and loan review;

(ii) the audit function; and

(iii) internal control systems.

(c) a description of the detailed information to be included in periodic reports that will be reviewed by the board of directors in its oversight of the operations and management of the Bank sufficient to assess management's compliance with applicable programs, plans, policies, and procedures;

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

(e) the deficiencies related to the board of directors' oversight of management noted in the report of the examination of the Bank conducted by the Reserve Bank, dated January 17, 2006 (the "Report of Examination").

Loan Policies and Procedures

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 credit administration policies and practices. The plan shall, at a minimum address, consider, and include:

(a) Underwriting standards for all new and renewed loans that include current and complete financial data, a clearly defined purpose, an analysis of the borrower's repayment capacity, the identification of the repayment sources, the value of any supporting collateral, and, where applicable, a written cash flow analysis;

(b) the assignment of every loan to an active loan officer;

(c) controls to ensure: (i) adherence to loan policies and procedures and (ii) 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;

(d) out-of-territory lending;

(e) procedures for identifying and placing credits on the watch list in a timely manner;

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

(g) procedures to identify, monitor, and manage concentrations of credit, including: (i) establishing concentration of credit limits for acceptable industries and types of loans and (ii) managing the risk associated with asset concentrations, including monthly reports

to the board of directors regarding concentration levels and the efforts taken to control any concentrations over the established limits;

(h) monthly reviews by the board of directors and senior management of the level and trend of all adversely classified loans and all past due and nonaccrual loans, and the establishment of benchmarks and timeframes for reducing the level of classified assets and past due and nonaccrual loans to acceptable levels as determined by the board of directors and senior management;

(i) collection policies and procedures that are designed to ensure that the Bank's past due and nonaccrual loan ratio remains at an acceptable, manageable level; and

(j) deficiencies in loan policy administration noted in the Report of Examination.

Loan Documentation

3. Within 60 days of this Agreement, the Bank shall develop a tracking system to monitor documentation and credit information deficiencies and take all steps necessary to correct documentation and credit information deficiencies listed in the Report of Examination, including, but not limited to, obtaining accurate and current financial statements and evaluations/appraisals. The Bank shall maintain current and complete documentation on all loans consistent with its approved loan policies. In all cases where the Bank is unable to obtain documentation or credit information, the Bank shall document the actions taken to secure the information and the reason the information could not be obtained and shall maintain such documentation for subsequent supervisory review.

Asset Improvement Plan

4. (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, improved documentation, or other means on each loan or other asset and any related credits in excess of \$125,000, including other real estate owned, that was past due as to principal or interest more than 90 days as of the date of this Agreement, is on the Bank's watch list, or was adversely classified or listed as special mention in the Report of Examination.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$125,000 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) The plan for each loan or other asset shall be formally approved by the Bank's loan committee and shall, at a minimum, include:

- (i) The current status of the loan or other asset, including book and nonbook carrying value;
- (ii) proposed actions to improve, reduce, or eliminate the loan or other asset, including collection or sale of collateral, and time frames for such actions; and
- (iii) where appropriate, the borrower's acknowledgement of and response to the plan.

(d) Within 30 days of the next calendar quarter following the due date for submission of the initial asset improvement plans, and within 30 days of the end of each

calendar quarter thereafter, the Bank shall submit to the Reserve Bank and the Division a written progress report to update the 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.

Allowance for Loan and Lease Losses

5. (a) The Bank shall maintain, through charges to current operating income, an adequate valuation reserve for loan and lease losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, sub-prime loans, past loan loss experience, evaluation of the 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, the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated December 21, 1993, July 2, 2001, and March 1, 2004, and examiners' criticisms noted in the Report of Examination.

(b) Within 60 days of this Agreement, the Bank shall submit a description of the reserve methodology to the Reserve Bank and the Division. Thereafter, at a minimum on a calendar quarterly basis, the Bank shall conduct an assessment of its loan loss reserve 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 loan loss reserve for that quarter. The Bank shall maintain for subsequent supervisory review documentation to support the methodology used for each quarterly assessment.

Capital Plan

6. Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to achieve and maintain sufficient capital at the Bank.

The plan shall, at a minimum, address, consider, and include:

(a) The Bank's current and future capital requirements, including Compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measures and Tier 1 Leverage Measures, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(b) the level of concentrations of credit;

(c) the volume of adversely classified assets;

(d) the anticipated level of retained earnings and dividends; and

(e) the source and timing of additional funds to fulfill the future capital and allowance for loan and lease loss needs of the Bank.

Internal Controls

7. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan to strengthen the internal controls environment. The plan shall, at a minimum, provide for and address:

(a) Sufficient resources, expertise, and training necessary to ensure the complete and timely implementation of an effective lending function;

(b) the timely identification, monitoring, and reporting to the board of directors of any failure by Bank personnel to adhere to approved policies and procedures; and

(c) the deficiencies noted in the Report of Examination regarding internal controls.

Asset/Liability Management

8. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division an acceptable written plan designed to improve compliance with the Bank's liquidity and sensitivity to market risk policies. The plan shall, at a minimum, address, consider, and include:

(a) Regular meetings to be held as needed, but no less frequently than monthly, of the Bank's Asset/Liability Committee (the "ALCO") to review liquidity and sensitivity to market risks and asset/liability management strategies, with particular attention to whether positions and strategic decisions are in accordance with approved policies, and the maintenance of minutes of ALCO meetings;

(b) documentation and reporting to the board of directors of all exceptions to the approved policies, the reasons for the exceptions, and the continuance of the exceptions, taking into account the Bank's overall goals and strategies; and

(c) the deficiencies regarding liquidity and sensitivity to market risk noted in the Report of Examination.

Strategic Plan and Budget

9. (a) Within 90 days of this Agreement, the Bank shall submit to the Reserve Bank and the Division a written strategic plan to improve the Bank's earnings, including a budget for the remainder of 2006. 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 adequate loan loss reserves; 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 strategic plan, including a budget, for each calendar year subsequent to 2006 shall be submitted to the Reserve Bank and the Division at least one month prior to the beginning of that calendar year.

Dividends

10. 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 consolidated earnings, and cash flow, capital, asset quality, and loan loss needs of the Bank.

Information Technology

11. 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, 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 their information security safeguards; and

(b) the information technology deficiencies noted in the Report of Examination.

12. The Bank shall immediately take all necessary steps consistent with sound banking practices to correct all violations of laws and regulations set forth in the Report of Examination. In addition, the board of directors shall take all necessary steps to ensure the Bank's future compliance with all applicable laws, regulations, and all regulatory reporting requirements.

13. (a) In appointing any new officers or directors, 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 of the Federal Reserve System (the "Board of Governors").

(b) 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) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Compliance Committee

14. Within 15 days of this Agreement, the board of directors shall appoint a committee (the "Compliance Committee") to monitor and coordinate the Bank's compliance with the provisions of this Agreement. The Compliance Committee shall be comprised of three or more outside directors who are not executive officers or principal shareholders 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) and (m)) At a minimum, the Compliance Committee shall keep detailed minutes of each meeting, and shall report its findings to the board of directors on a monthly basis.

Approval, Implementation, and Progress Reports

15. (a) The Bank shall submit written plans, policies, and procedures that are acceptable to the Reserve Bank and the Division within the applicable time periods set forth in paragraphs 2, 4, 6, 7, 8, and 11 of this Agreement.

(b) The Bank shall adopt the approved plans, policies, and procedures within 10 days of approval by the Reserve Bank and the Division. Upon adoption, the Bank shall implement the approved plans, policies, and procedures, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved plans, policies, and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank and the Division.

16. Within 30 days after the end of each calendar quarter (September 30, December 31, March 31 and June 30) following the date of this Agreement, the board of directors shall submit to the Reserve Bank and the Division written progress reports 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 corrections required by this Agreement have been accomplished and the Reserve Bank and the Division have, in writing, released the Bank from making further reports.

Communications

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

(a) Ms. Susan E. Zubradt
Vice President

Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198

- (b) Mr. D. Eric McClure
Commissioner
Missouri Division of Finance
P.O. Box 716
Jefferson City, Missouri 65102
- (c) Mr. Donald E. Thompson
Chairman of the Board of Directors
Exchange Bank of Missouri
430 E Wood Street
PO Box G
Troy, Missouri 63379

Miscellaneous

18. 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.

19. 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.

20. 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.

21. 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 and its successors and assigns.

22. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an Order issued 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
this 14th day of August, 2006.

EXCHANGE BANK OF MISSOURI

By: (signed)
Donald E. Thompson
Chairman

FEDERAL RESERVE BANK OF KANSAS CITY

By: (signed)
Susan E. Zubradt
Vice President

MISSOURI DIVISION OF FINANCE

By: (signed)
D. Eric McClure
Commissioner