

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

Written Agreement by and between

MERCANTILE BANCORP, INC.  
Quincy, Illinois

and

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

Docket No. 10-027-WA/RB-HC

WHEREAS, Mercantile Bancorp, Inc., Quincy, Illinois (“MBI”), is a registered multi-bank holding company that owns and controls two second-tier bank holding companies, Mid-America Bancorp, Inc., and Royal Palm Bancorp, Inc. (collectively, “Second-Tier BHCs”), that respectively own Heartland Bank, Leawood, Kansas and Royal Palm Bank of Florida, Naples, Florida, both nonmember state banks (the “Banks”); other insured depository institutions (collectively, “Subsidiary Depository Institutions”), and various nonbank subsidiaries (“Nonbank Subsidiaries”);

WHEREAS, it is the common goal of MBI and the Federal Reserve Bank of St. Louis (the “Reserve Bank”) to maintain the financial soundness of MBI so that MBI may serve as a source of strength to the Banks and its other insured depository institutions;

WHEREAS, MBI and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on February 16, 2010, the board of directors of MBI, at a

duly constituted meeting, adopted a resolution authorizing and directing Ted T. Averkamp to enter into this Agreement on behalf of MBI, and consenting to compliance with each and every provision of this Agreement by MBI and its 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, MBI and the Reserve Bank agree as follows:

### **Source of Strength**

1. The board of directors of MBI shall take appropriate steps to fully utilize MBI’s financial and managerial resources, pursuant to section 225.4(a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to ensure that Heartland Bank complies with the Consent Cease and Desist Order entered into with the Federal Deposit Insurance Corporation (the “FDIC”) and the Kansas State Banking Board on March 30, 2009, and that Royal Palm Bank of Florida complies with the Consent Cease and Desist Order entered into with the FDIC and the Florida Office of Financial Regulation on May 20, 2009, and any other supervisory action taken by the Banks’ federal or state regulators.

### **Dividends and Distributions**

2. (a) MBI 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 of the Federal Reserve System (the “Board of Governors”).

(b) MBI shall not directly or indirectly take, or cause the Second-Tier BHCs to take, dividends or any other form of payment representing a reduction in capital from the Banks without the prior written approval of the Reserve Bank.

(c) MBI shall not, without the prior written approval of the Reserve Bank, take dividends or any other form of payment representing a reduction in capital from any of the Subsidiary Depository Institutions that, during the term of this Agreement, is subject to any restriction by the institution's federal or state regulator that limits the payment of dividends or other intercorporate payments.

(d) MBI and its 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 or other payment date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on MBI's, and, as applicable, any of the Second-Tier BHCs' capital, earnings, cash flow, and allowance for loan and lease losses ("ALLL"); the capital, asset quality, earnings, and ALLL for any of the Subsidiary Depository Institutions from which a payment is to be received; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, MBI 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**

3. (a) MBI, 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) MBI shall not, directly or indirectly, purchase or redeem: (i) any shares of their own stock; or (ii) any shares of the stock of MBI, the Second-Tier BHCs, the Nonbank Subsidiaries, or any of the Subsidiary Banks that are held by shareholders.

### **Capital Plan**

4. Within 60 days of this Agreement, MBI shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at MBI on a consolidated basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Banks' current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D) and the applicable capital adequacy guidelines for the Banks issued by the Banks' federal regulator;

(b) the adequacy of the Banks' capital, taking into account the volume of classified credits, concentrations of credit, allowance for loan and lease losses, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional funds necessary to fulfill the consolidated organization's and the Banks' future capital requirements;

(d) supervisory requests for additional capital at the Banks or the requirements of any supervisory action imposed on the Banks by their federal regulators; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors that MBI serve as a source of strength to the Banks.

5. (a) MBI shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which any of MBI's capital ratios fall below the approved plan's minimum ratios. Together with the notification, MBI shall submit an acceptable written plan that details the steps that MBI will take to increase MBI's capital ratios to or above the approved plan's minimums.

(b) MBI shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which the capital ratios (total risk-based, tier 1 risk-based, or leverage) of any of the other Subsidiary Depository Institutions fall below the minimum ratios required by the institution's federal or state regulator. Together with the notification, MBI shall submit an acceptable written plan that details the steps MBI will take to increase such institution's capital ratios above the required minimums.

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

6. (a) 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, MBI 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.*).

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

## **Progress Reports**

7. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors 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, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

## **Approval and Implementation of Plan**

8. (a) MBI shall submit a written capital plan that is acceptable to the Reserve Bank within the applicable time period set forth in paragraph 4 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, MBI shall adopt the approved capital plan. Upon adoption, MBI shall promptly implement the approved plan, and thereafter fully comply with it.

(c) During the term of this Agreement, the approved capital plan shall not be amended or rescinded without the prior written approval of the Reserve Bank.

## **Communications**

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

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

(b) Mr. Ted T. Awerkamp  
President and CEO  
Mercantile Bancorp, Inc.  
200 North 33<sup>rd</sup> Street  
P.O. Box 3455  
Quincy, Illinois, 62305-3455

## **Miscellaneous**

10. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to MBI to comply with any provision of this Agreement.

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

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

13. 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 MBI, the Second-Tier BHCs, the Banks, the Subsidiary Depository Institutions, any nonbank subsidiary of MBI, or any of their current or former institution-affiliated parties and their successors and assigns.

14. 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 16th day of February, 2010.

MERCANTILE BANCORP, INC.

FEDERAL RESERVE BANK  
OF SAINT LOUIS

By: /s/ Ted T. Awerkamp  
Ted T. Awerkamp  
President and CEO

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