FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

In the Matter of	)	
	)	**ORDER TO**
FRONTENAC BANK	)	**CEASE AND DESIST**
EARTH CITY, MISSOURI	)	
	)	**FDIC-09-443b**
(Insured State Nonmember Bank)	)	
	)	

Frontenac Bank, Earth City, Missouri ("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 and/or regulations alleged to have been committed by the Bank, as well as of its rights 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 AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") dated October 14, 2009, with counsel for the Federal Deposit Insurance Corporation ("FDIC"), whereby, solely for the purpose of this proceeding and without admitting or denying any charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC.

The FDIC considered the matter and determined that it has reason to believe that the Bank has engaged in unsafe and unsound banking practices and violations of law and/or regulations. The FDIC, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, 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, cease and desist from the following unsafe or unsound banking practices:

A. Operating with a board of directors that has failed to provide adequate supervision over and direction to the management of the Bank.

B. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

C. Operating with an inadequate level of capital protection for the kind and quality of assets held and/or appropriate to the risk inherent in the activities engaged in by the Bank.

D. Engaging in hazardous lending and lax collection practices.

E. Operating with an excessive level of adversely classified loans or assets, and/or delinquent loans and/or non-accrual loans.

F. Failing to properly identify risk and assess the level of risk in problem loans and excessive levels of loan concentrations.

G. Operating with an inadequate allowance for loan and lease losses (ALLL) for the volume, kind, and quality of loans and leases held, and/or failing to make provision for an adequate allowance for possible loan and lease losses.

H. Operating with inadequate liquidity and an excessive reliance on wholesale financing in light of the Bank's asset and liability mix.

I. Operating with inadequate earnings.

J. Engaging in violations of law and/or regulations.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. <u>Qualified Management</u>.

(a) Within 30 days of the effective date of this ORDER, the board of directors shall engage an independent consultant that possesses appropriate expertise and qualifications and is acceptable to the FDIC's Kansas City Regional Office, or his designee ("Regional Director"), and the Commissioner of the Missouri Division of Finance (collectively, "Supervisory Authorities"), to analyze and assess the Bank's management and staffing performance and needs and prepare a written report to the board of directors.

(b) The Bank shall provide the Supervisory Authorities 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, shall include:

(i) a description of the work to be performed, including a requirement that the analysis and assessment be summarized in a written report to the board of directors ("Consultant's Report");

(ii) the fees for each significant element of the engagement, and the aggregate fee;

(iii) the responsibilities of the consultant;

(iv) identification of the specific procedures to be used when carrying out the work to be performed;

(v) the qualifications of the consultant and its employee(s) who are to perform the work;

(vi) a requirement that the work be completed and the Consultant's Report presented to the board of directors within 60 days of the date of engagement;

(vii) any restrictions on the use of the reported findings;

(viii) a provision for unrestricted access by the Supervisory Authorities to the consultant’s workpapers; and

(ix) a certification that neither the consultant nor any individual owner, officer or employee of the consultant (if the consultant is not an individual) is affiliated in any manner with the Bank.

(c) The analysis and assessment required by subparagraph (a) above shall, at a minimum:

(i) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank and detail any vacancies or additional needs, giving appropriate consideration to the size and complexity of the Bank;

(ii) identify the authorities, responsibilities, and accountabilities attributable to each position, and the existing or proposed compensation and bonuses;

(iii) evaluate the current and past performance of all existing Bank officers, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank’s established policies and practices, and operate the Bank in a safe and sound manner; and

(iv) identify the Bank committees needed to provide guidance and oversight to management.

(d) Within 60 days of receipt of the Consultant's Report, the board of directors shall:

(i) conduct a full and complete review of the Consultant's Report, which review shall be recorded in the minutes of the board; and

(ii) develop a written plan that incorporates the findings of the report, a plan of action in response to each recommendation contained in the report, and a time frame for completing each action ("Management Plan").

(e) At a minimum, the Management Plan shall:

(i) contain a recitation of the recommendations included in the Consultant's Report or otherwise communicated to the Bank by the consultant;

(ii) identify the type and number of officer positions needed to manage and supervise the affairs of the Bank and detail any vacancies or additional needs, giving appropriate consideration to the size and complexity of the Bank;

(iii) identify the authorities, responsibilities, and accountabilities attributable to each position and the existing or proposed compensation and bonuses;

(iv) evaluate the current and past performance of all existing Bank officers, indicating whether the individuals are competent and qualified to perform present and anticipated duties, adhere to the Bank's established policies and practices, and operate the Bank in a safe and sound manner;

(v) identify and establish Bank committees needed to provide guidance and oversight to management;

(vi) establish requirements and methodologies to periodically evaluate each individual's job performance;

(vii) establish a plan to terminate, rotate, or reassign officers and staff as necessary, as well as recruit and retain qualified personnel consistent with the analysis and assessment of the Bank's staffing needs;

(viii) identify training and development needs and incorporate a plan to provide such training and development;

(ix) establish procedures to periodically review and update the Management Plan, as well as periodically review and assess the performance of each officer;

(x) contain a current organizational chart that identifies all existing and proposed officer positions, delineates related lines of authority and accountability, and establishes a written plan for addressing any identified needs; and

(xi) contain a current management succession plan.

(f) Within 10 days after completion of the Consultant's Report and Management Plan, they shall be submitted to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comments by the Regional Director, and after consideration of any recommended changes, the board of directors shall approve the Management Plan, which approval shall be recorded in the minutes of the board. Thereafter, the Bank and its institution-affiliated parties shall implement and fully comply with the Management Plan. It shall remain the responsibility of the board of directors to fully implement the Management Plan within the specified time frames. In the event the Management Plan, or any portion thereof, is not implemented, the board shall immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan. Any subsequent modification of the Management Plan shall be submitted to the Supervisory Authorities for prior review and comment.

2. Capital Restoration and Maintenance.

(a) Within 10 days of the effective date of this ORDER, the Bank shall submit a written plan to the Supervisory Authorities describing the means and timing by which the Bank shall increase and thereafter maintain its level of capital for a Total Risk-Based Capital Ratio of not less than 12 percent and a Tier 1 Leverage Capital Ratio of not less than 8 percent (the “Capital Plan”).

(b) Within 30 days of receipt of any written comments from the Supervisory Authorities, and after consideration of all such comments, the Bank's board of directors shall approve the Capital Plan, which approval shall be recorded in the minutes of the meeting of the board of directors at which the Capital Plan is approved. Thereafter, while this ORDER is in effect, the Bank shall implement and fully comply with the Capital Plan.

(c) Within 30 days from the last day of each calendar quarter the Bank shall determine from its Reports of Condition and Income ("Call Reports"), its capital ratios for that calendar quarter, which are to be used in determining progress under the Capital Plan and adherence to this paragraph.

(d) In the event the Bank fails to achieve the capital restoration or maintenance required under the Capital Plan and this provision of the ORDER, the Bank shall immediately notify the Supervisory Authorities and within 15 days shall: (1) increase capital in an amount sufficient to achieve compliance or (2) submit a written revised plan to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth in subparagraph (a) above, as well as a contingency plan in the event the primary sources of capital are not available ("Revised Capital Plan"). Within 10 days of receipt of all such comments from the Supervisory

Authorities, and after consideration of all such comments, the Bank shall approve the Revised Capital Plan, which approval shall be recorded in the minutes of the meeting of the board of directors at which the Revised Capital Plan is approved. Thereafter, the Bank shall implement and fully comply with the Revised Capital Plan.

3. Dividend Restriction.

While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

4. Reduction of Adversely Classified Assets.

(a) Within 90 days from the effective date of this ORDER, the Bank shall formulate written plans to reduce the Bank's risk exposure in each asset in excess of $500,000 adversely classified as "Substandard" or "Doubtful" in the June 8, 2009, FDIC Report of Examination ("Report of Examination"). For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities. In developing the plans mandated by this subparagraph (a), the Bank shall, at a minimum, and with respect to each adversely classified loan or lease, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Upon completion of the plans, the Bank shall immediately submit the plans to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Regional Director, and after due consideration of any recommended changes, the Bank shall approve the plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the plans.

(c) Upon the written request of either of the Supervisory Authorities, similar plans shall be formulated for assets adversely classified or listed for Special Mention at future examinations.

5. Restrictions on Advances to Adversely Classified Borrowers.

(a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or adversely classified “Substandard” or "Doubtful" in the Report of Examination and is uncollected, or classified “Substandard” or “Doubtful” in any future Reports of Examination and is uncollected. The requirements of this subparagraph (a) shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Subparagraph (a) of this provision shall not apply if the Bank’s failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this paragraph, whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank’s board of directors, or a designated committee thereof, who shall conclude:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank’s position, with an explanatory statement of why the Bank’s position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(c) The board of directors’ conclusions and approval shall be made a part of the minutes of the board, or designated committee, with a copy retained in the borrower’s credit file.

6. <u>Maintenance of Allowance for Loan and Lease Losses</u>.

(a) Within 60 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the ALLL. The policy shall provide for a review of the ALLL at least once each calendar quarter in ORDER that the findings of the board may be properly reported in the Bank’s Call Reports. Such reviews shall, at a minimum, be made in accordance with the Call Report Instructions, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the appropriateness of the Bank’s ALLL, and any analysis of the Bank’s ALLL provided by the FDIC.

(b) A deficiency in the Bank’s ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank’s submission of its Call Report. The board of directors shall thereafter maintain an appropriate ALLL.

(c) The Bank shall submit the policy and ALLL methodology to the Supervisory Authorities for review and comment. Within

30 days from receipt of any comment from the Regional Director, and after consideration of any recommended changes, the Bank shall approve the policy, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the policy.

7. <u>Concentrations of Credit</u>.

(a) Within 90 days from the effective date of this ORDER, the Bank shall develop a written plan for systematically reducing and monitoring the Bank's portfolio of loans or other extensions of credit advanced or committed, directly or indirectly, to or for the benefit of any borrowers ("concentration plan"), as listed in the Concentrations section of the Report of Examination. At a minimum, the plan shall include:

(i) dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) timeframes for achieving the reduction in dollar levels identified in response to (i) above;

(iii) provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors; and

(iv) procedures for monitoring the Bank’s compliance with the plan.

(b) The Bank shall submit the concentration plan to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Regional Director, and after consideration of all such comments, the Bank shall approve the concentration plan, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the concentration plan.

8. Implementation of Loan Policy.

Within 90 days from the effective date of this ORDER, the board of directors of the Bank shall review and revise the Bank’s written loan policies and procedures to address the comments and criticisms in the Report of Examination. The Bank’s revised loan policies and procedures shall be provided to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comment from the Regional Director, and after consideration of any recommended changes the Bank shall approve the loan policies and procedures, which approval shall be recorded in the minutes of the board of directors meeting. Thereafter, the Bank shall implement and fully comply with the revised loan policies. In the event the Bank considers making a loan that would not conform with the Bank’s loan policies, the loan shall receive prior review and approval by the Bank’s board of directors. The reason for non-conformance and the board’s prior review and approval shall be documented in the board’s minutes and in the loan file for that loan.

9. Implementation of Independent Loan Review Program.

(a) Within 90 days of the effective date of this ORDER, the Bank shall develop a written plan for independent loan review (“loan review plan”) that will provide for a review of the Bank’s loan portfolio and the identification and categorization of problem credits. At a minimum, the loan review plan shall provide for:

(i) prompt identification of loans with potential credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention, and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) appropriate grading of adverse classification of loans, especially those with well-defined credit weaknesses that jeopardize repayment, so that timely action can be taken and credit losses can be minimized;

(iii) action plans to reduce the Bank’s risk exposure from each identified relationship;

(iv) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(v) identification of trends affecting the quality of the loan portfolio, and potential problem areas;

(vi) assessment of the overall quality of the loan portfolio;

(vii) identification of credit and collateral documentation exceptions;

(viii) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(ix) identification of loans that are not in conformance with the Bank’s lending policy, including, but not limited to, improper uses of interest reserves and/or capitalized interest; and

(x) identification of loans to directors, officers, principal shareholders, and their related interests.

(b) The Bank shall submit the loan review plan to the Supervisory Authorities for review and comment. Within 30 days from receipt of any comment from the Regional Director, and after consideration of any recommended changes, the Bank shall approve the loan review plan, which approval shall be recorded in the minutes of the board of directors' meeting. Thereafter, the Bank shall implement and fully comply with the loan review plan.

10. Special Mention Items and Correction of Technical Exceptions.

(a) Within 90 days from the effective date of this ORDER, the Bank shall:

(i) address the deficiencies cited for assets listed on the "Items Listed for Special Mention" page of the Report of Examination, or subsequent examinations; and

(ii) correct the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" pages of the Report of Examination, and subsequent examinations.

All attempts to correct deficiencies and exceptions shall be documented in the borrowers' credit files.

(b) Progress Reports detailing each outstanding special mention items and exception, and the Bank's plan for corrective action shall be submitted to the board for review during each regularly scheduled meeting. The report shall be made part of, and the review noted, in the board’s minutes.

(c) From the effective date of this ORDER, the Bank shall ensure that the necessary supporting documentation is obtained and evaluated before any credit or loan is extended.

11. Liquidity and Funds Management.

(a) Within 60 days from the effective date of this ORDER, the Bank shall continue reviewing and revising its written liquidity analysis and projection for the sources and uses of funds, including but not limited to the following:

Sources:

(i) listing of loans available for participation or sale and a list of committed purchasers;

(ii) a listing and projected pay offs or pay downs of loans;

(iii) a listing of all funding sources and borrowings and level of commitments/availability;

(iv) projection and breakdown of deposit growth from non-brokered deposits and sources;

Uses:

(v) listing and timing of contractually binding loan commitments that are expected to be funded;

(vi) projections for known maturities or anticipated brokered deposit withdrawals;

(vii) projections, including best and worst case scenarios, of large public/private deposit withdrawals;

Projections and Contingency Plans:

(viii) projections for restricting loan growth and potentially shrinking the total asset size of the Bank; and

(ix) specific contingency plans in the event that anticipated events do not materialize, or in case of some other liquidity emergency.

(b) The analysis and projection required by paragraph (a) above shall be reviewed for viability on a monthly basis, and updated as necessary.

(c) Within 60 days from the effective date of this ORDER, the Bank shall review its liquidity, funds management, and interest rate risk policies and plans, and develop or amend each as necessary. Said policies should address the concerns detailed in the June 8, 2009, FDIC Report of Examination ("Report of Examination"), and specifically how the Bank will increase its liquid assets and reduce its reliance on liabilities for liquidity purposes. The Bank shall submit the policies and plans, and any future modifications, to the Supervisory Authorities for review and comment. Within 30 days of receipt of all such comments from the Regional Director, and after consideration of all such comments, the Bank shall approve the revised policies and plans, which approval shall be recorded in the minutes of the meeting of the board of directors. Thereafter, the Bank shall implement and fully comply with the policies and plans.

12. Business/Strategic Plan and Profit and Budget Plan.

(a) Within 90 days from the effective date of this ORDER, the Bank shall develop and fully implement a written three-year business/strategic plan and two-year profit and budget plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER.

(b) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(c) The business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days after the receipt of any comment from the Regional Director, and after due consideration of any recommended changes, the board of directors shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the board meeting minutes. Thereafter, the Bank shall implement and fully comply with the plans.

13. Elimination and/or Correction of Violations of Law, Rules, and Regulations.

(a) Within 90 days from the effective date of this ORDER, the Bank, consistent with sound banking practices, shall eliminate and/or correct all violations of laws, rules, and regulations cited by the FDIC in the Report of Examination. In addition, within 60 days from the effective date of this ORDER, the Bank shall adopt and implement appropriate procedures to ensure future compliance with all applicable laws, rules, and regulations.

(b) The Bank shall document each violation that cannot be eliminated or corrected, and why, for review by the board of directors at its next monthly meeting. The board’s review, discussion, and any action upon the uncorrected violation shall be recorded in the board meeting minutes.

14. Disclosure of ORDER to Shareholder.

The Bank shall provide to its shareholder a copy of this ORDER or otherwise furnish a description of this ORDER, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's 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 for review at least 20 days prior to dissemination to shareholder. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

15. Progress Reports Detailing Compliance with ORDER.

(a) Within 90 days following the effective date of this ORDER, and every 90 days thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank’s progress toward achieving compliance with each provision of the ORDER.

(b) Progress reports may be discontinued when the Regional Director has, in writing, released the Bank from making additional reports.

16. <u>Binding Effect</u>.

(a) This ORDER shall be effective upon issuance. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC.

(b) The provisions of this ORDER shall not bar, estop or otherwise prevent either of the Supervisory Authorities or any other federal or state agency or department from taking any action against the Bank, any of the Bank’s current or former institution-affiliated parties, or agents for improper acts or omissions, violations of law or regulation, or engaging in unsafe or unsound banking practices.

Dated: October 21, 2009.

FEDERAL DEPOSIT INSURANCE CORPORATION

Issued Pursuant to Delegated Authority

By: /s/
Mark S. Moylan
Deputy Regional Director
Federal Deposit Insurance Corporation
Kansas City Regional Office