

#2002-114

AGREEMENT BY AND BETWEEN
The First National Bank of Shelby
Shelby, Ohio
and
The Office of the Comptroller of the Currency

The First National Bank of Shelby, Shelby, Ohio (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller, through his National Bank Examiner, has examined the Bank, and his findings are contained in the Report of Examination for the examination that commenced on March 1, 2002 (ROE).

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

Article I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 5.51(c)(6)(ii). *See* 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(5) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Lance J. Cirolì
Assistant Deputy Comptroller
Cleveland Field Office
3 Summit Park Drive, Suite 530
Independence, Ohio 44131-6900

Article II

COMPLIANCE COMMITTEE

(1) Within fifteen (15) days, the Board shall appoint a Compliance Committee of at least three (3) directors, of which no more than one shall be employees of the Bank or any of its affiliates (as the term “affiliate” is defined in 12 U.S.C. § 371c(b)(1)), or a family member of any such person. Upon appointment, the names of the members of the Compliance Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Compliance Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Agreement.

(2) The Compliance Committee shall meet at least monthly.

(3) Within thirty (30) days and every thirty (30) days thereafter, the Compliance Committee shall submit a written progress report to the Board setting forth in detail:

- (a) actions taken to comply with **each** Article of this Agreement; and
- (b) the results of those actions.

(4) A copy of the monthly Reports required in paragraph (3) of this Article shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis and are due 15 days after the end of the quarter. The first report is due January 15, 2003.

Article III

NONACCRUAL LOANS

(1) The Bank shall immediately reverse or charge-off all interest that has been accrued contrary to the requirements contained in the Instructions for Preparation of Consolidated Reports of Condition and Income (Call Report Instructions) governing nonaccrual loans. Further, the Bank shall immediately reverse or charge-off that portion of the remaining accrued interest on such loans that, when combined with principal, is not protected by sound collateral values.

(2) Within ninety (90) days, the Board shall adopt and implement written policies and procedures governing the supervision and control of nonaccrual loans. Such policies and procedures shall:

- (a) be consistent with the accounting requirements contained in the Call Report Instructions;
- (b) address the circumstances under which accrued interest due on a loan may be added to the outstanding principal amount when the loan is renewed or restructured; and
- (c) require the monthly presentation to the Board of all loans meeting any of the nonaccrual criteria.

(3) Within ninety (90) days, the Board shall develop and implement a written policy governing the identification of and accounting treatment for nonaccrual loans. The policy shall

address paragraph (2) above as well as the comments on page 5 of the ROE and shall be consistent with the accounting requirements contained in the Call Report Instructions.

(4) Within ninety (90) days, the Board shall develop and implement a written policy that shall provide for a review of accrued interest on loans. The policy shall, at a minimum, provide for quarterly reviews of loan accruals and incorporate procedures for periodically testing the Bank's identification of nonaccrual loans as governed by the policy adopted pursuant to paragraph (2) above.

(5) Upon adoption, a copy of the written policies and procedures shall be forwarded to the Assistant Deputy Comptroller and the Board shall thereafter ensure Bank adherence to all policies and procedures developed pursuant to this Article.

(6) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

Article IV

CALL REPORTS

(1) Within sixty (60) days, the Board shall adopt and cause the Bank to implement policies and procedures, in accordance with the Instructions for Preparation of Consolidated Reports of Condition and Income, to ensure that all official and regulatory reports filed by the Bank accurately reflect the Bank's condition as of the date that such reports are submitted. Thereafter the Board shall ensure Bank adherence to the policies and procedures adopted pursuant to this Article.

(2) Upon completion of the policies, the Board shall submit a copy of the policies to the Assistant Deputy Comptroller.

(3) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policies developed pursuant to this Article.

Article V

LENDING POLICY

(1) Within ninety (90) days, the Board shall review and revise the Bank's written loan policy. In revising this policy, the Board shall refer to the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. This policy shall incorporate, but not necessarily be limited to, the following:

- (a) a provision that current and satisfactory credit information will be obtained on each borrower;
- (b) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (c) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (d) guidelines for unsecured lending, including criteria for when unsecured lending will be acceptable, limits on aggregated unsecured loan exposures within the portfolio, and procedures to monitor such limits;
- (e) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;
- (f) guidelines for loans to insiders, including a statement that such loans will not be granted on terms more favorable than those offered to similar outside borrowers;

- (g) guidelines and limitations on concentrations of credit;
- (h) a limitation on the type and size of loans that may be made by loan officers without prior approval by the Board or a committee established by the Board for this purpose;
- (i) measures to correct the deficiencies in the Bank's lending procedures noted in any ROE;
- (j) guidelines designed to improve Board oversight of the loan approval process, specifically with regard to credits exhibiting significant risk. At a minimum, the policy shall:
 - (i) establish dollar limits on extensions of credit to any one borrower, above which the prior approval of the Board, or a committee thereof, would be required;
 - (ii) establish dollar limits on aggregate extensions of credit to any one borrower, above which any new extensions of credit to that borrower, regardless of amount, would require the prior approval of the Board, or a committee thereof; and
 - (iii) require that all credits which deviate from the Bank's normal course of business, including all credits which deviate from the Bank's written strategic plan, receive the prior approval of the Board, or a committee thereof;
- (k) guidelines consistent with Banking Circular 255 and the Interagency Retail Credit Classification and Account Management Policy (OCC Bulletin 2000-20) setting forth the criteria under which extensions,

renewals, deferrals or rewrites of extensions of credit may be approved.

At a minimum the policy shall:

- (i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies;
- (ii) require monthly board review of all renewals granted; and
- (ii) provide guidelines and limitations on the capitalization of interest;
- (l) a credit risk rating process designed to assure the timely identification and rating of criticized loans and leases, consistent with the guidance contained in the Rating Credit Risk booklet, A-RCR, of the Comptroller's Handbook and OCC Bulletin 2000-20;
- (m) charge-off guidelines, by type of loan or other asset, including Other Real Estate Owned, addressing the circumstances under which a charge-off would be appropriate and ensuring the recognition of losses within the quarter of discovery;
- (n) procedures to effectively monitor previously charged-off assets and their recovery potential; and
- (o) guidelines for periodic review of the Bank's adherence to the revised lending policy.

(2) With respect to all loans secured by farmland, all loans to finance agricultural production, and all other loans to farmers (as defined in Instructions for Preparation of Consolidated Reports of Condition and Income) the Bank's revised policy shall also:

- (a) provide for segregation and classification of loans according to use of proceeds in the following categories:

- (i) current year operating expenses,
 - (ii) carry over debt from previous years operating loans,
 - (iii) loans secured by livestock or commodities,
 - (iv) intermediate term loans for purchase of equipment and machinery,
 - (v) loans for acquisition of land and loans for capital improvements;
- (b) ensure current, independent appraisals are maintained on all non-real estate collateral for loans exceeding \$100,000;
- (c) provide for periodic on-site inspections with written reports detailing the condition of farm assets and farm operations;
- (d) require identification of repayment source(s) and establishment of specific repayment terms for each loan cited in (a) (i) through (a) (v) commensurate with the type and purpose of the loan, and the borrower's expected cash flow; and
- (e) require an annual analysis of the cash flow and profitability of each borrower including:
 - (i) documentation of assumptions used in cash flow analysis, including product prices, anticipated expenses, and production levels;
 - (ii) analysis of the borrower's ability to retire current operating loans and to meet established repayment terms on other loans; and
 - (iii) determination of the period of time necessary to retire carry over debt, and the extent of reliance on liquidation of capital assets.

(3) Upon adoption, the policy shall be implemented, the Board shall thereafter ensure Bank adherence to the policy, and a copy of the policy shall be forwarded to the Assistant Deputy Comptroller for review.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the policy developed pursuant to this Article.

Article VI

LOAN PORTFOLIO MANAGEMENT

(1) The Board shall, within one hundred twenty (120) days, develop, implement, and thereafter ensure Bank adherence to a written program to improve the Bank's loan portfolio management. The program shall include, but not be limited to:

- (a) a formal, ongoing training program designed to ensure that officers and employees who are or will be, involved in lending or loan administration are adequately trained to carry out their responsibilities. At a minimum, such a training program shall address:
 - (i) loan structuring, credit analysis, underwriting standards and credit administration; and
 - (ii) identified weaknesses in the skills and abilities of the Bank's lenders;
- (b) a performance appraisal process, including performance appraisals and job descriptions for loan officers which, when determining compensation, adequately considers their performance relative to policy compliance,

documentation standards, accuracy in credit grading, and other loan administration matters; and

- (c) procedures to track and analyze concentrations of credits, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios.

(2) Upon completion, a copy of the program shall be forwarded to the Assistant Deputy Comptroller.

(3) Within thirty (30) days, on a monthly basis management will provide the Board with written reports including, at a minimum, the following information:

- (a) the identification, type, rating, and amount of problem loans and leases;
- (b) the identification and amount of delinquent loans and leases;
- (c) credit and collateral documentation exceptions;
- (d) the identification and status of credit related violations of law, rule or regulation;
- (e) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (a) through (d) of this Article and Paragraph;
- (f) an analysis of concentrations of credit, significant economic factors, and general conditions and their impact on the credit quality of the Bank's loan and lease portfolios;
- (g) the identification and amount of loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and

- (h) the identification of loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program and systems developed pursuant to this Article.

Article VII

LOAN REVIEW

(1) The Board shall within sixty (60) days employ or designate a sufficiently experienced and qualified person(s) or firm to ensure the timely and independent identification of problem loans and leases.

(2) Within one hundred twenty (120) days, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan and lease portfolios to assure the timely identification and categorization of problem credits. The system shall provide for a written report to be filed with the Board after each review and shall use a loan and lease grading system consistent with the guidelines set forth in Rating Credit Risk, A-RCR, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quality of the loan and lease portfolios;
- (b) the identification, type, rating, and amount of problem loans and leases;
- (c) the identification and amount of delinquent and nonaccrual loans and leases;
- (d) credit and collateral documentation exceptions;

- (e) the identification and status of credit related violations of law, rule or regulation;
- (f) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (e) of the Article;
- (g) concentrations of credit;
- (h) loans and leases to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (i) loans and leases not in conformance with the Bank's lending and leasing policies, and exceptions to the Bank's lending and leasing policies.

(3) A written description of the program called for in this Article shall be forwarded to the Assistant Deputy Comptroller upon implementation.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board shall evaluate the internal loan and lease review report(s) and shall ensure that immediate, adequate, and continuing remedial action, if appropriate, is taken upon all findings noted in the report(s).

(6) A copy of the reports submitted to the Board, as well as documentation of the action taken by the Bank to collect or strengthen assets identified as problem credits, shall be preserved in the Bank.

Article VIII

CRITICIZED ASSETS

(1) The Bank shall take immediate and continuing action to protect its interest in those assets criticized in the ROE, in any subsequent Report of Examination, by internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to eliminate the basis of criticism of assets criticized in the ROE, in any subsequent Report of Examination, or by any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination as "doubtful," "substandard," or "special mention." This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) the appraised value of supporting collateral and the position of the Bank's lien on such collateral where applicable;
- (c) an analysis of current and satisfactory credit information, including cash flow analysis where loans are to be repaid from operations; and
- (d) the proposed action to eliminate the basis of criticism and the time frame for its accomplishment.

(3) Upon adoption, a copy of the program for all criticized assets equal to or exceeding, (i) Fifty Thousand Dollars (\$50,000) in the case of an unsecured loan or (ii) One Hundred Thousand Dollars (\$100,000) in the case of a secured loan, shall be forwarded to the Assistant Deputy Comptroller.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

(5) The Board, or a designated committee, shall conduct a review, on at least a quarterly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds Fifty Thousand dollars (\$50,000) in the case of an unsecured loan or One Hundred Thousand Dollars (\$100,000) in the case of a secured loan;
- (b) management's adherence to the program adopted pursuant to this Article;
- (c) the status and effectiveness of the written program; and
- (d) the need to revise the program or take alternative action.

(6) A copy of each review shall be forwarded to the Assistant Deputy Comptroller on a quarterly basis (in a format similar to Appendix A, attached hereto).

(7) The Bank may extend credit, directly or indirectly, including renewals, extensions or capitalization of accrued interest, to a borrower whose loans or other extensions of credit are criticized in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination and whose aggregate loans or other extensions exceed Fifty Thousand (\$50,000) only if each of the following conditions is met:

- (a) the Board or designated committee finds that the extension of additional credit is necessary to promote the best interests of the Bank and that prior to renewing, extending or capitalizing any additional credit, a majority of

the full Board (or designated committee) approves the credit extension and records, in writing, why such extension is necessary to promote the best interests of the Bank; and

(b) a comparison to the written program adopted pursuant to this Article shows that the Board's formal plan to collect or strengthen the criticized asset will not be compromised.

(8) A copy of the approval of the Board or of the designated committee shall be maintained in the file of the affected borrower.

Article IX

CREDIT AND COLLATERAL EXCEPTIONS AND UNSECURED LENDING

(1) Within one hundred twenty (120) days the Board shall obtain current and satisfactory credit information on all loans equal to or greater than \$25,000 lacking such information, including those listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(2) Within one hundred twenty (120) days the Board shall ensure proper collateral documentation is maintained on all loans and correct each collateral exception listed in the ROE, in any subsequent Report of Examination, in any internal or external loan review, or in any listings of loans lacking such information provided to management by the National Bank Examiners at the conclusion of an examination.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan or other extension of credit only after:

(a) documenting the specific reason or purpose for the extension of credit;

- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment;
- (d) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations;
 - (i) Failure to obtain the information in (3)(d) shall require a majority of the full Board (or a delegated committee thereof) to certify in writing the specific reasons why obtaining and analyzing the information in (3)(d) would be detrimental to the best interests of the Bank.
 - (ii) A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification will be reviewed by this Office in subsequent examinations of the Bank; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(4) Pending final adoption by the Board of the guidelines established pursuant to subparagraph (d) of paragraph (1) of Article V, the Bank may not grant, extend, renew, alter or restructure any loan or other extension of credit on an unsecured basis in excess of \$25,000 to any single new borrower or \$10,000 to any existing borrower, excluding criticized, classified or problem loans unless a majority of the full Board (or a delegated committee thereof) certifies in writing that doing so would be in the best interests of the Bank.

Article X

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall review the adequacy of the Bank's Allowance for Loan and Lease Losses (Allowance) and shall establish a program for the maintenance of an adequate Allowance. This review and program shall be designed in light of the comments on maintaining a proper Allowance found in the Allowance for Loan and Lease Losses booklet, A-ALLL, of the Comptroller's Handbook, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal and/or external loan review;
- (b) an estimate of inherent loss exposure on each credit in excess of Fifty Thousand dollars (\$50,000);
- (c) loan loss experience;
- (d) trends of delinquent and nonaccrual loans;
- (e) concentrations of credit in the Bank; and
- (f) present and prospective economic conditions.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter. Any deficiency in the Allowance shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions from earnings. Written documentation shall be maintained indicating the factors considered and conclusions reached by the Board in determining the adequacy of the Allowance.

(3) A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller for review and approval.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems to ensure implementation of and adherence to the program developed pursuant to this Article.

Article XI

VIOLATIONS OF LAW

(1) The Board shall immediately take all necessary steps to ensure that Bank management corrects each violation of law, rule or regulation cited in the ROE and in any subsequent Report of Examination. The quarterly progress reports required by Article II of this Agreement shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(3) Within sixty (60) days of receipt of any subsequent Report of Examination which cites violations of law, rule, or regulation, the Board shall adopt, implement, and thereafter ensure Bank adherence to specific procedures to prevent future violations as cited in the ROE and shall adopt, implement, and ensure Bank adherence to general procedures addressing compliance management which incorporate internal control systems and education of employees regarding laws, rules and regulations applicable to their areas of responsibility.

(4) Upon adoption, a copy of these procedures shall be promptly forwarded to the Assistant Deputy Comptroller.

(5) The Board shall ensure that the Bank has policies, processes, personnel, and control systems to ensure implementation of and adherence to the procedures developed pursuant to this Article.

Article XII

EXTERNAL AUDIT

(1) Within one hundred twenty (120) days, the Bank shall retain the services of a qualified and independent Certified Public Accountant to render an opinion on the Bank's December 31, 2002, Statement of Condition (Balance Sheet) for year 2002 and for each subsequent year-end Statement of Condition during the term of this Agreement.

(2) In addition to the agreed upon procedures performed by the bank's accountants, the following areas should be targeted for review: (a) management's process to identify loans for nonaccrual; (b) management's treatment of loans once placed on nonaccrual; (c) management's process to comply with the Uniform Classification and Account Management Policy, OCC Bulletin 2000-20, including granting of extensions for consumer or retail loans; and (d) management's methodology regarding the adequacy of the Allowance for Loan and Lease Losses (ALLL).

(3) A copy of the Bank's proposed "Engagement Letter" with this independent Certified Public Accountant, and any amendments thereto, shall be submitted to the Assistant Deputy Comptroller for review and veto prior to its execution. The results of this review shall be

communicated to the Bank within fifteen (15) days of the Assistant Deputy Comptroller's receipt of the proposal. Failure to exercise veto power shall not constitute an approval or endorsement.

(4) The requirement to submit information and the prior veto provisions of this Article are based on the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller to complete his/her review and act on any such information or authority within ninety (90) days.

Article XIII

CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or approval, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the OCC or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Bank under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the OCC has any intention to enter into a contract. The Bank also expressly acknowledges that no OCC officer or employee has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the OCC’s exercise of its

supervisory responsibilities. The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or arrangements, or negotiations between the parties, whether oral or written.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his/her hand on behalf of the Comptroller.

Lance J. Cirolì
Lance J. Cirolì
Assistant Deputy Comptroller
Cleveland Field Office

10/29/02
Date

IN TESTIMONY WHEREOF, the undersigned, as the duly elected and acting Board of Directors of the Bank, have hereunto set their hands on behalf of the Bank.

<u>Larry L. Cornell</u> Larry L. Cornell	<u>10/29/02</u> Date
<u>Thomas A. Depler</u>	<u>Date</u>
<u>Ronald A. Distl</u>	<u>10/29/02</u>
<u>Ronald A. Distl</u>	<u>Date</u>
<u>H. Lanny Hopkins</u>	<u>10/29/02</u>
<u>H. Lanny Hopkins</u>	<u>Date</u>
<u>Kent Knaus</u>	<u>Date</u>
<u>Robert W. Lederer</u>	<u>Date</u>
<u>William Mako</u>	<u>10/29/02</u>
<u>William Mako</u>	<u>Date</u>
<u>R.T. Roberts</u>	<u>10/29/02</u>
<u>R.T. Roberts</u>	<u>Date</u>
<u>Marjorie E. Roush</u>	<u>10/29/02</u>
<u>Marjorie E. Roush</u>	<u>Date</u>
<u>J. George Williams</u>	<u>10/29/02</u>
<u>J. George Williams</u>	<u>Date</u>

APPENDIX A

First National Bank of Shelby
Shelby, Ohio

CRITICIZED ASSET REPORT AS OF:

BORROWER (S):

ASSET BALANCE (S) \$

OCC RATING (SM, SUBSTANDARD, DOUBTFUL OR LOSS):

AMOUNT CHARGED OFF TO DATE:

FUTURE POTENTIAL CHARGE-OFF:

PRESENT STATUS (Fully explain any increase in outstanding balance; include past due status, nonperforming, significant progress or deterioration, etc.):

FINANCIAL AND/OR COLLATERAL SUPPORT (include brief summary of most current financial information, appraised value of collateral and/or estimated value and date thereof, bank's lien position and amount of available equity, if any, guarantor(s) info, etc.):

PROPOSED PLAN OF ACTION TO ELIMINATE ASSET CRITICISM(S) AND TIME FRAME FOR ITS ACCOMPLISHMENT:

IDENTIFIED SOURCE OF REPAYMENT AND DEFINED REPAYMENT PROGRAM (repayment program should coincide with source of repayment):

Use this form for reporting each criticized relationship that exceeds fifty thousand dollars (\$50,000) and retain the original in the credit file for review by the examiners. Submit your reports quarterly until further notified, in writing, by the Assistant Deputy Comptroller.