

#2002-51

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
The First National Bank of Germantown)
Germantown, Ohio)

AMENDED CONSENT ORDER

On or about November 20, 2001, the Comptroller of the Currency of the United States of America (Comptroller) and The First National Bank of Germantown, Germantown, Ohio (Bank), by and through its duly elected Board of Directors (Board), entered into a Consent Order that was designed to address certain problems that were uncovered by the Comptroller's National Bank Examiner (Examiner) during the September 30, 2001 examination of the Bank. The findings of that examination are contained in the September 30, 2001 Report of Examination (ROE) of the Bank.

On or about March 7, 2002, the Comptroller agreed to modify certain provisions of Article III of the November 20, 2001 Consent Order.

Now the Bank, by and through its duly elected and acting Board of Directors (Board), has executed a "Stipulation and Consent to the Issuance of an Amended Consent Order," dated May 23, 2002, which is accepted by the Comptroller. By this Stipulation and Consent, which is incorporated by reference, the Bank has consented to the issuance of this Amended Consent Order by the Comptroller.

Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

REPLACEMENT OF THE NOVEMBER 20, 2001 CONSENT ORDER

BY THE AMENDED CONSENT ORDER

(1) The articles of the November 20, 2001 Consent Order are replaced in their entirety by this Amended Consent Order.

ARTICLE II

AUDIT COMMITTEE

(1) Within ten (10) days, the Board shall appoint an Audit Committee of at least three (3) directors, of which none 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 Audit Committee shall be submitted in writing to the Assistant Deputy Comptroller. The Audit Committee shall be responsible for monitoring and coordinating the Bank's adherence to the provisions of this Amended Consent Order.

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

(3) Prior to each monthly Board meeting, the Audit Committee shall submit a written progress report to the Board setting forth in detail:

(a) actions taken to comply with each Article of this Amended Consent Order;

and

(b) the results of those actions.

(4) Within seven (7) days after submission of each progress report to the Board, the Board shall forward a copy of the Audit Committee's progress report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

ARTICLE III

CONFLICT OF INTEREST POLICY

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written, comprehensive conflict of interest policy applicable to the Bank's directors, principal shareholders, executive officers, affiliates, and employees (Insiders) and related interests of such Insiders. The policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest;
- (b) involvement in the loan approval process of Insiders who may benefit directly or indirectly from the decision to grant credit;
- (c) involvement by Insiders and employees in the loan approval process for loans to their own relatives;
- (d) disclosure of actual and potential conflicts of interest to the Board, and periodic disclosure of "related interests" as defined by 12 C.F.R. Part 215;
- (e) requirements for arms-length dealing in any transactions by Insiders, relatives of Insiders, or their related organizations, involving the Bank's sale, purchase, or rental of property and services;
- (f) disclosure of any Insider's material interest in the business of a borrower, an applicant, or other customer of the Bank;
- (g) restrictions on and disclosure of receipt of anything of value by Insiders, directly or indirectly, from borrowers, loan applicants, other customers, or suppliers of the Bank;

- (h) guidelines to govern when officers and employees use bank equipment and property off of bank premises;
- (i) guidelines to govern Bank reimbursement of expenses for travel, entertainment, and meals including approval and review procedures; and
- (j) guidelines for hiring relatives of directors, officers or employees of the Bank.

(2) Upon adoption, a copy of this conflict of interest policy shall be forwarded to the Assistant Deputy Comptroller for review.

(3) 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.

(4) Within ninety (90) days, the Audit Committee shall conduct a review of the Bank's existing relationships with its directors, executive officers, affiliates, principal shareholders, employees and their related interests for the purpose of identifying relationships not in conformity with the policy. The Board shall ensure that:

- (a) any nonconforming relationships are brought into conformity with the policy within thirty (30) days; and
- (b) that within thirty (30) days the Bank is properly reimbursed for:
 - (i) any excess or improper payments to Insiders and their related interests; and
 - (ii) any excess or improper payments for services provided by Insiders and their related interests.

Thereafter, the Board shall review all proposed transactions, or modifications of existing relationships, between the Bank and any of its directors, executive officers, affiliates, principal shareholders, employees and their related interests. Documentation supporting these reviews shall be in writing and preserved in the Bank.

ARTICLE IV

CERTAIN BUSINESS TRANSACTIONS

(1) From the effective date of this Amended Consent Order, the Bank is prohibited from entering into any new Business Transaction with Marvin Achtermann, his spouse, children and their spouses, parents or siblings, and any of the foregoing persons' Related Interests except as provided in this Article. For purposes of this Article, each of these parties is considered to be a "Family Member."

(2) Within sixty (60) days, the Board shall review all existing Business Transactions with Family Members for compliance with paragraphs (3)(a) and (3)(b) of this Article. Immediately following each review, the Board shall approve or disapprove the Business Transaction according to the procedure set out in paragraph (3)(c) of this Article.

(3) The Bank may enter into a Business Transaction with a Family Member only if the Business Transaction is:

- (a) made on terms and under circumstances that are substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other companies or individuals who are not Family Members or related interests of Family Members;

- (b) made, in the absence of comparable transactions, on reasonable commercial terms entered into in good faith and reflecting comparable service fees payable to similarly situated service providers (for example, professional service contracts);
 - (c) preceded by a finding by the Board that the primary purpose of the Business Transaction is to further the best interests of the Bank; and
 - (d) approved in advance by a majority of the entire Board, not merely a quorum thereof, with any interested Family Member abstaining from voting and participating directly or indirectly in the deliberations regarding the approval.
- (4) For purposes of this Article, the following definitions shall apply:
- (a) "Related Interest" shall have the same meaning as set forth in 12 C.F.R. § 215.2.
 - (b) "Business Transaction" means any single transaction including any renewal of or changes to an existing transaction. "Business Transaction" applies to all transactions and relationships including as a depositor, borrower, employee, contractor, vendor, or director.
 - (c) "Company" shall have the same meaning as set forth in 12 C.F.R. § 215.2.
 - (d) "Person" shall mean an individual or a company.
 - (e) "Control" shall mean the power to vote directly or indirectly 25 percent or more of any class of voting securities of a company, the ability to control in any manner the election of a majority of a company's directors, or the ability to exercise a controlling influence over the management and

policies of a company. Any general partner of a partnership is presumed to control the partnership. A person who directly or indirectly owns, controls, or has power to vote at least 10 percent of any class of voting securities of a company and is an executive officer or director of that company is deemed to control that company by exercising a controlling influence over that company.

ARTICLE V

INSIDER TRANSACTIONS - RECORDKEEPING

(1) Effective immediately, the Board shall maintain adequate, centralized records of all Transactions with Insiders in a form and manner that will enable easy, independent review.

These records shall identify all Insiders and shall also:

- (a) specify the names of the parties to the transaction other than the Bank,
- (b) state the relationship of the parties to the Bank,
- (c) provide a brief description of the transaction and its terms, and
- (d) provide a notation of the approval of the transaction by the Board including the vote of each director and the bases for any dissenting or abstaining votes.

(2) The Bank shall require each executive officer, director and principal shareholder to provide at least annually and in writing, a listing of the preceding parties' respective Related Interests as defined in 12 C.F.R. Part 215. The list of these persons' Related Interests shall be maintained by the Board and any changes to these listings of Related Interests shall be promptly reported to the Board and reflected in the centralized records.

(3) For purposes of this Article, the following definitions shall apply:

- (a) “Insider” shall have the meaning as set forth in 12 C.F.R. § 215.2.
- (b) “Transaction” means any single transaction in excess of \$10,000 or which creates an aggregate relationship in excess of \$10,000 (including any renewal of or changes to an existing transaction). “Transaction” applies to transactions and relationships other than as a depositor, borrower, employee or director.
- (c) "Related Interest" shall have the same meaning as set forth in 12 C.F.R. § 215.2.
- (d) "Company" shall have the same meaning as set forth in 12 C.F.R. § 215.2.
- (e) "Person" shall mean an individual or a company.
- (f) "Control" shall mean the power to vote directly or indirectly 25 percent or more of any class of voting securities of a company, the ability to control in any manner the election of a majority of a company's directors, or the ability to exercise a controlling influence over the management and policies of a company. Any general partner of a partnership is presumed to control the partnership. A person who directly or indirectly owns, controls, or has power to vote at least 10 percent of any class of voting securities of a company and is an executive officer or director of that company is deemed to control that company by exercising a controlling influence over that company.

ARTICLE VI

EXPENSE REVIEW AND REIMBURSEMENT

(1) Within thirty (30) days, the Board shall review all expenses incurred by former President Achtermann and former Chief Operating Officer Scarberry from 1995 to the present to determine whether each expense was incurred for a legitimate business purpose. The Board shall document its review and determinations in writing. President Achtermann shall not participate in deliberations or vote on the matters covered by this Article.

(2) Immediately following completion of the expense review and determinations, the Board shall require reimbursement from former President Achtermann and former Chief Operating Officer Scarberry for all expenses that the Board determined were not incurred for a legitimate business purpose.

ARTICLE VII

INTERNAL AUDIT

(1) Within ninety (90) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program, including risk assessment procedures, sufficient to:

- (a) detect irregularities in the Bank's operations;
- (b) determine the Bank's level of compliance with all applicable laws, rules and regulations;
- (c) evaluate the Bank's adherence to established policies and procedures, with particular emphasis directed to the Bank's adherence to its loan policies

concerning underwriting standards and problem loan identification and classification;

- (d) ensure adequate audit coverage in all areas;
- (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives; and
- (f) provide for a formalized schedule and at least quarterly reporting of audit findings to the Board.

(2) As part of this audit program, the Audit Committee shall evaluate the audit reports of any party providing services to the Bank, and shall assess the impact on the Bank of any audit deficiencies cited in such reports.

(3) 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.

(4) The Board shall ensure that the audit function is supported by an adequately staffed and competent department or outside firm, with respect to both the experience level and number of the individuals employed.

(5) The Board shall ensure that the audit program is independent. The persons responsible for implementing the internal audit program described above shall report directly to the Board, which shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board and/or the Audit Committee and not through any intervening party.

(6) All audit reports shall be in writing. The Board shall ensure that immediate actions are undertaken to remedy deficiencies cited in audit reports, and that auditors maintain a written record describing those actions.

(7) The audit staff shall have access to any records necessary for the proper conduct of its activities. National bank examiners shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(8) Upon adoption, a copy of the internal audit program shall be promptly submitted to the Assistant Deputy Comptroller.

ARTICLE VIII

BOARD TO ENSURE COMPETENT MANAGEMENT

(1) Within sixty (60) days, the Board shall ensure that the Bank has competent management in place on a full-time basis in its Executive Officer and Senior Loan Officer positions to carry out the Board's policies, ensure compliance with this Amended Consent Order, applicable laws, rules and regulations, and manage the day-to-day operations of the Bank in a safe and sound manner.

(2) Within sixty (60) days, the Board shall review the capabilities of the Bank's management to perform present and anticipated duties and the Board will determine whether management changes should be made, including the need for additions to or deletions from current management.

(3) For incumbent officers in the positions mentioned in Paragraph (1) of this Article, the Board shall within sixty (60) days assess each of these officers' experience, other

qualifications and performance compared to the position's description, duties and responsibilities.

(4) If the Board determines that an officer will continue in his/her position but that the officer's depth of skills needs improvement, the Board will within sixty (60) days develop and implement a written program, with specific time frames, to improve the officer's supervision and management of the Bank. At a minimum the written program shall:

- (a) be designed to ensure that the officer has skills and abilities necessary to supervise effectively;
- (b) be designed to improve the effectiveness of the officer;
- (c) include objectives by which the officer's effectiveness will be measured;
and
- (d) include a performance appraisal program with timeframes for evaluating performance according to the position's description and responsibilities and for measuring performance against the Bank's goals and objectives.

Upon completion, a copy of the written program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(5) If a position mentioned in Paragraph (1) of this Article is vacant now or in the future, including if the Board realigns an existing officer's responsibilities and a position mentioned in Paragraph (1) of this Article becomes vacant, the Board shall within thirty (30) days of such vacancy appoint a capable person to the vacant position who shall be vested with sufficient executive authority to ensure the Bank's compliance with this Amended Consent Order and the safe and sound operation of functions within the scope of that position's responsibility.

(6) Prior to the appointment of any individual to an executive officer position, the Board shall submit to the Assistant Deputy Comptroller the following information:

- (a) the information sought in the “Changes in Directors and Senior Executive Officers” booklet of the Comptroller’s Corporate Manual, together with a legible fingerprint card for the proposed individual;
- (b) a written statement of the Board's reasons for selecting the proposed officer; and
- (c) a written description of the proposed officer's duties and responsibilities.

(7) The Assistant Deputy Comptroller shall have the power of veto over the employment of the proposed executive officer. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed officer.

(8) 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)(6)(E) and do not require the Comptroller to complete his review and act on any such information or authority within ninety (90) days.

ARTICLE IX

STAFFING PLAN

(1) Within sixty (60) days, the Board shall develop a staffing plan that is consistent with the goals and objectives established in the Bank’s strategic plan and that accomplishes the overall risk profile established for the Bank. At a minimum, the plan will consist of the following:

- (a) identification of the skills and expertise needed to develop, market, and administer the products identified in the strategic plan;
- (b) identification of the skills and expertise of the Bank's current staff; and
- (c) comparison of the current staff's skills and expertise identified in (1) (b) of this Article to the skills and expertise identified in (1)(a) of this Article as necessary to develop, market, and administer the products that will be utilized in accomplishing the Bank's goals and objectives.

(2) Within thirty (30) days of the development of the staffing plan, the Board will implement the plan and direct any changes necessary to provide the Bank with a staff that possesses the skills and expertise identified in (1)(a) of this Article. Thereafter the Board will ensure that the Bank adheres to the staffing plan.

(3) Upon completion of the actions required by (1) and (2), the Board will provide a copy of its staffing plan to the Assistant Deputy Comptroller for review.

ARTICLE X

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 twenty thousand dollars (\$20,000) 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 monthly basis, to determine:

- (a) the status of each criticized asset or criticized portion thereof that equals or exceeds twenty thousand dollars (\$20,000);
- (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 monthly 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 twenty thousand dollars (\$20,000) 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 XI

CREDIT RISK

(1) Within ninety (90) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program to reduce the high level of credit risk in the Bank.

The program shall include, but not be limited to:

- (a) procedures to strengthen credit underwriting in all portfolios;
- (b) procedures to maintain an adequate, qualified staff in all loan functional areas;
- (c) procedures for strengthening collections; and
- (d) an action plan to control the Bank's double-digit loan growth.

(2) The Board shall submit a copy of the program to the Assistant Deputy Comptroller for prior determination of no supervisory objection.

(3) At least quarterly, the Board shall prepare a written assessment of the bank's credit risk, which shall evaluate the Bank's progress under the aforementioned program. The Board shall submit a copy of this assessment 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.

ARTICLE XII

CREDIT AND COLLATERAL EXCEPTIONS

(1) Within sixty (60) days the Board shall obtain current and satisfactory credit information on all loans 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 sixty (60) 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; and
- (e) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(4) Failure to obtain the information in (3) 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) would be detrimental to the best interests of the Bank.

(5) 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.

ARTICLE XIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) At least quarterly, prior to the submission of the Consolidated Reports of Condition and Income, 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 OCC Bulletin 2001-37 Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions, and shall focus particular attention on the following factors:

- (a) results of the Bank's internal loan review;
- (b) results of the Bank's external loan review;
- (c) an estimate of inherent loss exposure on each significant credit;
- (d) an estimate of inherent loss exposure on each credit in excess of twenty thousand dollars (\$20,000);
- (e) loan loss experience;
- (f) trends of delinquent and nonaccrual loans;
- (g) concentrations of credit in the Bank;
- (h) loan officer experience; and

(i) 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) Conclusions by the Board as to adequacy of the Allowance for Loan and Lease Losses shall be recorded in the Board Meeting Minutes.

(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 XIV

LOAN REVIEW CONSULTANT

(1) Within sixty (60) days, the Board shall employ a qualified consultant to perform an ongoing asset quality review of the Bank. The consultant shall be utilized until such time as an ongoing internal asset quality review system is developed by the Board, implemented and demonstrated to be effective. Before terminating the consultant's asset quality review services, the Board shall both certify the effectiveness of the internal asset quality review system, and receive prior determination of no supervisory objection from the Assistant Deputy Comptroller.

(2) Prior to hiring a consultant or entering into any contract with a consultant, the Bank shall submit the proposed terms of employment and the qualifications of the consultant to

the Assistant Deputy Comptroller who shall have the power of veto. However, the failure to exercise such veto power shall not constitute an approval or endorsement of the proposed consultant. If the Assistant Deputy Comptroller exercises such veto power, the Bank shall employ another qualified consultant according to the terms of this Article.

(3) 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 review and act on any such information or authority within thirty (30) days.

ARTICLE XV

INTERNAL LOAN REVIEW

(1) Within one hundred eighty (180) days, the Board shall establish an effective, independent and on-going loan review system to review, at least quarterly, the Bank's loan portfolio 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 grading system consistent with the guidelines set forth in the Loan Portfolio Management booklet, A-LPM, of the Comptroller's Handbook. Such reports shall, at a minimum, include conclusions regarding:

- (a) the overall quality of the loan portfolio;
- (b) the identification, type, rating, and amount of problem loans;
- (c) the identification and amount of delinquent loans;
- (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 this Article;
- (g) concentrations of credit;
- (h) loans to executive officers, directors, principal shareholders (and their related interests) of the Bank; and
- (i) loans not in conformance with the Bank's lending policies, and exceptions to the Bank's lending policies.

(2) Within one hundred eighty (180) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written program providing for independent review of problem loans in the Bank's loan portfolio for the purpose of monitoring portfolio trends, on at least a quarterly basis. The program shall require a quarterly report to the Board. At a minimum the program shall provide for an independent reviewer's assessment of the Bank's:

- (a) monitoring systems for early problem loan identification to assure the timely identification and rating of loans based on lending officer submissions;
- (b) statistical records that serve as a basis for identifying sources of problem loans by industry, size, collateral, indirect dealer, and individual lending officer;
- (c) system for monitoring previously charged-off assets and their recovery potential;
- (d) system for monitoring compliance with the Bank's lending policies and laws, rules, and regulations pertaining to the Bank's lending function; and

(e) system for monitoring the adequacy of credit and collateral documentation.

(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 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 XVI

OFFICER LENDING RESTRICTIONS

(1) Effective immediately, the Board shall review and amend all Bank officers' lending authorities. The amended lending authorities are not to individually or jointly exceed \$100,000 on a secured basis and \$25,000 on an unsecured basis. For real estate secured loans intended for sale on the secondary market, the Board may grant a lending authority of \$205,000 to the senior lender, provided the senior lender's qualifications have been reviewed by the Assistant Deputy Comptroller and a letter expressing no supervisory objection has been received from the Assistant Deputy Comptroller. All loans or renewals of loans to insiders, employees, or

their related interests and all loans or renewals of loans that exceed the loan officer's lending authority shall require prior Board approval.

(2) The lending authorities addressed in paragraph (1) above apply to all loans, loan participations, other extensions of credit and lending activities in which the Bank is currently involved or may be involved in the future.

ARTICLE XVII

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by December 31, 2002 and thereafter maintain the following capital levels (as defined in 12 C.F.R. Part 3):

- (a) Tier 1 capital at least equal to 13 percent (13%) of risk-weighted assets;
- (b) Tier 1 capital at least equal to 8.5 percent (8.5%) of adjusted total assets.¹

(2) The requirement in this Amended Consent Order to meet and maintain a specific capital level means that the Bank may not be deemed to be "well capitalized" for purposes of 12 U.S.C. § 1831o and 12 C.F.R. Part 6 pursuant to 12 C.F.R. § 6.4(b)(1)(iv).

(3) Within thirty (30) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a three year capital program. The program shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1);

¹ Adjusted total assets is defined in 12 C.F.R. § 3.2(a) as the average total asset figure used for Call Report purposes minus end-of-quarter intangible assets. As further noted in 12 C.F.R. § 3.2(a), a bank may be required to compute and maintain its leverage ratio on the basis of actual, rather than average total assets. This language would have to be modified to reflect that change.

- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, fixed assets, and off-balance sheet activities;
- (c) projections of the sources and timing of additional capital to meet the Bank's current and future needs;
- (d) the primary source(s) from which the Bank will strengthen its capital structure to meet the Bank's needs;
- (e) contingency plans that identify alternative methods should the primary source(s) under (d) above not be available; and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital program;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and
 - (iii) with the prior written determination of no supervisory objection by the Assistant Deputy Comptroller.

(4) Upon completion, the Bank's capital program shall be submitted to the Assistant Deputy Comptroller for prior determination of no supervisory objection. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and adhere to the capital program. The Board shall review and update the Bank's capital program on an annual basis, or more frequently if necessary. Copies of the reviews and updates shall be submitted to the Assistant Deputy Comptroller.

(5) 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 XVIII

PROFIT PLAN

(1) Within sixty (60) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a written profit plan to improve and sustain the earnings of the Bank. This plan shall include, at minimum, the following elements:

- (a) identification of the major areas in and means by which the Board will seek to improve the Bank's operating performance;
- (b) realistic and comprehensive budgets, including projected balance sheets and year-end income statements;
- (c) a budget review process to monitor both the Bank's income and expenses, and to compare actual figures with budgetary projections; and
- (d) a description of the operating assumptions that form the basis for major projected income and expense components.

(2) The budgets and related documents required in paragraph (b) above for 2002 shall be submitted to the Assistant Deputy Comptroller upon completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (b) above for each year this Amended Consent Order remains in effect. The budget for each year shall be submitted on or before November 30, of the preceding year.

(3) The Board shall forward comparisons of its balance sheet and profit and loss statement to the profit plan projections to the Assistant Deputy Comptroller on a quarterly basis.

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

ARTICLE XIX

WIRE TRANSFER ACTIVITY

(1) Within thirty (30) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to written policies and procedures that govern the minimum requirements for wire transfer activities. In formulating these policies and procedures the Board shall refer to the Federal Financial Institutions Examination Handbook, chapter 18. The policies and procedures shall provide for a coordinated Wire Transfer management strategy and, at a minimum, address:

- (a) the requirements of both the Tier I and Tier II examination procedures as noted in chapter 18;
- (b) the establishment of adequate management reports on which to base sound management decisions for wire transfer activity; and
- (c) annual audit review of the Bank's adherence to the Wire Transfer Activity policies and procedures.

(2) The Board shall submit a copy of the policies and procedures 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 and procedures developed pursuant to this Article.

ARTICLE XX

INFORMATION TECHNOLOGY

(1) The Board shall develop, implement, and thereafter ensure Bank adherence to written standards establishing minimum requirements for data and physical security along with

day to day operations of Information Technology operations. In formulating these standards the Board shall refer to the Federal Financial Institutions Examination Council's 1996 Information Systems Examination Handbook. The standards shall provide for a coordinated Information Technology management strategy and, at a minimum, address:

- (a) formation and regular meetings, including detailed minutes, of an Information Technology Steering Committee;
- (b) implementation of cost benefit analysis prior to purchase or lease of software, equipment, and vendor support agreements;
- (c) implementation of a centralized process for the purchase or lease of software and equipment;
- (d) development of a detailed corporate contingency plan and provision for annual testing of the plan;
- (e) development of a program to comply with consumer privacy as it relates to information security;
- (f) the establishment of adequate management reports on which to base sound management decisions for information technology; and
- (g) annual audit review of the Bank's adherence to the Information Technology standards.

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

(3) The Board shall submit a copy of the standards to the Assistant Deputy Comptroller.

ARTICLE XXI

BOOKS AND RECORDS

(1) The Bank shall maintain its books, records and management information systems (MIS) in a complete and accurate condition. The Bank's books, records and MIS shall contain all information necessary to allow the Comptroller to determine the details and purposes of each of the Bank's transactions, including but not limited to, all documentation of outstanding and paid off loans, and documentation of all transactions in all deposit accounts.

(2) The Bank shall produce any and all Bank books, records, and MIS requested by the examiners for review immediately upon request.

(3) The term "books, records and MIS" shall have the broadest meaning possible and shall include, without limitation, paper and electronic records of all kinds, notes, calendars, phone logs, financial instruments and tapes.

ARTICLE XXII

RETENTION OF RECORDS

(1) The Board shall immediately develop, implement, and thereafter ensure Bank adherence to written policies and procedures governing the retention of books, records, and MIS.

The policies and procedures shall, at a minimum:

- (a) identify the types of books, records, and MIS to be retained;
- (b) set forth time tables for destruction of books, records, and MIS; and
- (c) prohibit the destruction, alteration, or removal of books, records, and MIS except pursuant to the standards set forth in the policies and procedures.

(2) The policies and procedures developed for this Article shall be approved by the Board and submitted to the Assistant Deputy Comptroller for review and prior determination of no supervisory objection.

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

ARTICLE XXIII

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 monthly progress reports required by Article IV of this Amended Consent Order shall include the date and manner in which each correction has been effected during that reporting period.

(2) Within thirty (30) 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 thirty (30) 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 Report of Examination 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 XXIV

CLOSING

(1) Although the Board is by this Amended Consent Order required to submit certain proposed actions and programs for the review or approval of the Assistant Deputy Comptroller, 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 Amended Consent Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) In each instance in this Amended Consent Order 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: (i) 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 Amended Consent Order; (ii) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Amended Consent Order; (iii) follow-up on any non-compliance with such actions in a timely and appropriate manner; and (iv) require corrective action be taken in a timely manner of any non-compliance with such actions.

(5) The provisions of this Amended Consent Order are effective upon issuance of this Amended Consent Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Amended Consent Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(6) This Amended Consent Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), 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(i), 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 Amended Consent Order, 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.

IT IS SO ORDERED, this 23RD day of May, 2002.

/s/

Larry K. Cole
Assistant Deputy Comptroller
Central Ohio Field Office

5/23/2002

Date

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
The First National Bank of Germantown)
Germantown, Ohio)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF AN AMENDED CONSENT ORDER**

The Comptroller of the Currency of the United States of America (Comptroller) has initiated cease and desist proceedings against The First National Bank of Germantown, Germantown, Ohio (Bank) pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of an Amended Consent Order, dated May 23, 2002;

In consideration of the above premises, the Comptroller, through his authorized representative, and the Bank, through its duly elected and acting Board of Directors, hereby stipulate and agree to the following:

ARTICLE I

Jurisdiction

- (1) The Bank is a national banking association chartered and examined by the Comptroller pursuant to the National Bank Act of 1864, as amended, 12 U.S.C. § 1 *et seq.*
- (2) The Comptroller is “the appropriate Federal banking agency” regarding the Bank pursuant to 12 U.S.C. §§ 1813(q) and 1818(b).
- (3) The Bank is an “insured depository institution” within the meaning of 12 U.S.C. § 1818(b)(1).

ARTICLE II

Agreement

(1) The Bank, without admitting or denying any wrongdoing, hereby consents and agrees to the issuance of the Amended Consent Order by the Comptroller. The Bank further agrees that said Amended Consent Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consents and agrees that said Amended Consent Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. § 1818(i).

ARTICLE III

Waivers

- (1) The Bank, by signing this Stipulation and Consent, hereby waives:
- (a) the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) any and all procedural rights available in connection with the issuance of the Amended Consent Order;
 - (c) all rights to seek any type of administrative or judicial review of the Amended Consent Order; and
 - (d) any and all rights to challenge or contest the validity of the Amended Consent Order.

ARTICLE IV

Other Action

(1) The Bank agrees that the provisions of this Stipulation and Consent shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting

the Bank if, at any time, he/she deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

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

/s/

Larry K. Cole
Assistant Deputy Comptroller
Central Ohio Field Office

5/23/2002

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.

Marvin Achtermann

Date

/s/

John Dupps, Jr.

June 5, 2002

John Dupps, Jr.

Date

/s/

Nelda Judy Lane

June 5, 2002

Nelda Judy Lane

Date

/s/

Doug Lewis

June 5, 2002

Doug Lewis

Date

/s/

Robert Reason

June 5, 2002

Robert Reason

Date

/s/

Timothy Stueve

June 5, 2002

Timothy Stueve

Date

/s/

Vera Kuhn

/s/

Merle F. Wilberding

/s/

James Witt

June 5, 2002

Date

June 5, 2002

Date

6-5-2002

Date

Date

