

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

In the Matter of:)
)
The Ripley National Bank)
Ripley, Ohio)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his National Bank Examiner, has examined The Ripley National Bank, Ripley, Ohio (“Bank”), and has found violations of 12 U.S.C. § 84; 12 U.S.C. § 161; 12 C.F.R. Part 34; and 12 C.F.R. Part 215 and unsafe and unsound banking practices regarding capital planning; lending; credit administration; administration of the Bank’s affairs; maintenance of the Bank’s books and records; and management of information technology systems.

The Bank, by and through its duly elected and acting Board of Directors (“Board”), has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated April 20, 2004, that is accepted by the Comptroller. By this Stipulation and Consent, that is incorporated by reference, the Bank has consented to the issuance of this Consent Order (“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

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 (1) shall be an employee 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, coordinating, and testing the Bank's adherence to the provisions of this Order.

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

(3) Within thirty (30) days of the appointment of the Committee, and thereafter within thirty (30) days of the end of each calendar quarter, 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 Order;

(b) the results of those actions;

(c) the actions they have taken to test for compliance with each Article of this Order;
and

(d) the results of those actions.

(4) Within ten (10) days of receipt, the Board shall forward a copy of the Compliance Committee's report, with any additional comments by the Board, to the Assistant Deputy Comptroller.

ARTICLE II

CAPITAL PLAN AND HIGHER MINIMUMS

(1) The Bank shall achieve by August 30, 2004 and shall thereafter maintain “Tier 1 capital” at least equal to nine percent (9%) of “adjusted total assets” (as those terms are defined in 12 C.F.R. Part 3).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, deferred tax assets, and credit-enhancing interest-only strips.

(2) The requirement of paragraph (1) in this Article to meet and maintain a specific capital level shall prevent the Bank from being 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) By June 30, 2004, the Bank shall submit an acceptable three-year capital plan to the Assistant Deputy Comptroller for supervisory review. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and thereafter ensure adherence to the capital plan.

(4) The capital plan shall include:

- (a) specific plans for the maintenance of adequate capital that may in no event be less than the requirements of paragraph (1) of this Article;
- (b) projections for growth and capital requirements based upon a detailed analysis of the Bank's assets, liabilities, earnings, 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 current and future needs;
- (e) contingency plans that identify alternative sources to strengthen the Bank's capital structure should the primary source(s) under (d) of this paragraph be unavailable;
and
- (f) a dividend policy that permits the declaration of a dividend only:
 - (i) when the Bank is in compliance with its approved capital plan;
 - (ii) when the Bank is in compliance with 12 U.S.C. §§ 56 and 60; and

(iii) with the prior determination of no supervisory objection by the Assistant Deputy Comptroller.

(5) Prior to implementation of the dividend policy referenced in paragraph 4(f) of this Article, the Bank shall not declare or pay any cash or non-cash dividend, or any other distribution of the Bank's capital or paid-in surplus.

(6) The Board shall review and update the Bank's capital plan on an annual basis, or more frequently if necessary, or if requested by the Assistant Deputy Comptroller.

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

ARTICLE III

APPOINTMENT OF NEW DIRECTORS

(1) The Board shall immediately take action to add, at a minimum, two new independent directors. The term "independent director" means a person who is not an officer or employee of the Bank, and who is not a director, officer, or employee of its affiliates.

(2) Prior to appointing any new director, the Bank shall provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 using notice forms and following instructions in the "Changes in Directors and Senior Executive Officers Booklet" of the *Comptroller's Licensing Manual*.

(3) The Assistant Deputy Comptroller shall have the power to disapprove the appointment of any proposed new director. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed director.

(4) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6) and do not require the Assistant Deputy Comptroller to complete his review and act on any such information or authority within ninety (90) days. No proposed new director shall begin to serve on the Board until receipt of written notice that the Assistant Deputy Comptroller does not disapprove of the appointment of the proposed new director.

(5) If the Board is unable to identify any qualified director candidates within sixty (60) days, the Board shall document its efforts to locate such candidates, and notify the Assistant Deputy Comptroller in writing. Thereafter, the Board shall provide monthly reports to the Assistant Deputy Comptroller summarizing its continuing efforts to locate such candidates.

ARTICLE IV

MANAGEMENT AND BOARD SUPERVISION

(1) Within thirty (30) days, the Board shall propose the appointment of a new, capable chief executive officer who shall be vested with sufficient executive authority to fulfill the duties and responsibilities of the position and ensure the safe or sound operation of the Bank.

(2) Prior to the appointment of any individual to the chief executive officer position, the Board shall provide the Assistant Deputy Comptroller with written notice as required by 12 C.F.R. § 5.51 using notice forms and following the instructions in the “Changes in Directors and Senior Executive Officers Booklet” of the *Comptroller’s Licensing Manual*.

(3) In addition to the information required to be provided pursuant to paragraph (2) of this Article, the Board shall submit to the Assistant Deputy Comptroller:

- (a) a written statement of the Board's reasons for selecting the proposed chief executive officer; and

(b) a written description of the proposed chief executive officer's duties and responsibilities.

(4) The Assistant Deputy Comptroller shall have the power to disapprove the employment of the proposed chief executive officer. However, the lack of disapproval of such individual shall not constitute an approval or endorsement of the proposed officer.

(5) The requirement to submit information and the prior disapproval provisions of this Article are based on the authority of 12 U.S.C. § 1818(b)(6) and do not require the Assistant Deputy Comptroller to complete his review and act on any such information or authority within ninety (90) days. No proposed chief executive officer shall begin to act in such capacity until receipt of written notice that the Assistant Deputy Comptroller does not disapprove of the appointment of the proposed chief executive officer.

(6) Within ninety (90) days, the Board shall ensure the Bank has a management team with the experience, ability, and depth to address the concerns noted in any Report of Examination or other communications by National Bank Examiners and the experience, ability, and depth to administer the Bank's affairs and implement its business plan. At a minimum, the Board shall consider:

- (a) the present and future management and staffing requirements of each area of the Bank, with particular emphasis given to the executive management, lending, information technology, operations, and control functions;
- (b) each officer's qualifications and abilities and whether each of these individuals possesses the experience and other qualifications required to perform present and anticipated duties of his or her position;
- (c) the need for additions to or deletions from the current management team;

- (d) objectives by which management's effectiveness will be measured;
- (e) identified weaknesses in the skills and abilities of the Bank's staff and management team and the training needed to address these weaknesses;
- (f) current lines of authority, reporting responsibilities and delegation of duties for all officers, including identification of any overlapping duties or responsibilities; and
- (g) the Board's strengths and weaknesses and the training needed to address these weaknesses.

ARTICLE V

VIOLATIONS OF LAW, RULE, OR REGULATION

(1) The Board shall immediately take all necessary steps to ensure the correction of each violation of law, rule, or regulation cited in the Report of Examination for the examination that commenced on January 5, 2004 ("ROE") and in any subsequent Report of Examination. The quarterly progress reports required by Article I of this Order 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 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) The Board shall ensure that the Bank has policies, processes, personnel, and control systems sufficient to ensure implementation of and adherence to the procedures developed pursuant to this Article.

ARTICLE VI

LOAN REVIEW

(1) Within sixty (60) days, the Board shall establish, implement, and thereafter ensure Bank adherence to 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 Booklet" 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 loans and leases;
- (d) the identification and amount of loans and leases with credit and collateral documentation exceptions and the nature of these exceptions;
- (e) the identification and status of credit related violations of law, rule, or regulation;
- (f) the identification and amount of loans and leases not in conformance with the Bank's lending and leasing policies;

- (g) the identity of the loan officer who originated each loan reported in accordance with subparagraphs (b) through (f) of this paragraph;
- (h) an analysis of charge-off loans and their recovery potential;
- (i) concentrations of credit; and
- (j) loans and leases to the Bank's executive officers, directors, principal shareholders (and their related interests).

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

(3) 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).

(4) 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 and forwarded to the Assistant Deputy Comptroller within thirty (30) days of each report.

ARTICLE VII

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 any internal or external loan review, or in any list provided to management by the National Bank Examiners during any examination.

(2) Within sixty (60) 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, by any internal or external loan review, or in any list of "doubtful," "substandard," or "special mention" assets provided to management by the National Bank Examiners during any examination. This program shall include, at a minimum:

- (a) an identification of the expected sources of repayment;
- (b) an assessment of 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) A copy of the program for all criticized assets equal to or exceeding one hundred thousand dollars (\$100,000) shall be forwarded to the Assistant Deputy Comptroller within five (5) days of adoption.

(4) The Board shall ensure that the Bank has processes, personnel, and control systems sufficient 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 one hundred thousand dollars (\$100,000);

- (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 within five (5) days of completion.

(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 one hundred thousand dollars (\$100,000), 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 referenced in paragraph 7(a) of this Article shall be maintained in the file of the affected borrower. The approval shall at all times be available for review by the Office of the Comptroller of the Currency ("OCC").

ARTICLE VIII

FINANCIAL RECORDS, LEDGERS, AND STATEMENTS

(1) The Board shall immediately take all necessary actions to ensure that, within one hundred twenty (120) days, the Bank's financial records, ledgers, and statements are accurate.

(2) Within thirty (30) days, the Board shall submit to the Assistant Deputy Comptroller an action plan detailing how the Board will ensure the Bank's financial records, ledgers, and statements are accurate, setting forth a timetable for implementing each action in the plan. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the action plan.

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

ARTICLE IX

RISK REDUCTION PLAN

(1) Within sixty (60) days, the Board shall develop a written plan to reduce the risk in all the Bank's existing and proposed transactions, products, services, and other activities related to _____ and _____ ("Companies"). The risk reduction plan shall, at a minimum, contain:

- (a) an assessment of the volume and nature of all existing and proposed transactions, products, services, and other activities with the Companies;

- (b) a quantification of the all the risks to the Bank of all existing and proposed transactions, products, services, and other activities with the Companies;
- (c) a determination of compliance with Bank policies, procedures, and prudent banking practices of all existing and proposed transactions, products, services, and other activities with the Companies; and
- (d) actions and timeframes to correct any concerns identified in (a) through (c) of this paragraph.

(2) Upon completion, the risk reduction plan shall be submitted to the Assistant Deputy Comptroller for supervisory review. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Board shall implement and thereafter ensure Bank adherence to the plan.

(3) The Board shall review and update, if necessary, the Bank's risk reduction plan on a semi-annual basis or more frequently if necessary.

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

ARTICLE X

LENDING PROHIBITION

(1) Effective immediately, the Bank shall not originate or purchase any commercial loan or commercial real estate loan to any new borrower in which the principal amount of the loan exceeds two hundred thousand dollars (\$200,000) unless the OCC has determined that the Bank is in compliance with Articles III, IV, V, VI, VII, XI, XII, and XIII of this Order.

(2) Effective immediately, the Bank shall not renew or modify any commercial loan or commercial real estate loan or extend additional monies to existing commercial or commercial real estate borrowers whose aggregate loan balances exceed one hundred thousand dollars (\$100,000), unless the Board finds that the renewal, modification, or extension of additional credit is necessary to promote the best interests of the Bank and only after:

- (a) a majority of the full Board approves the action and enters in the Bank's records why such action is necessary to promote the best interests of the Bank;
- (b) documenting the specific reason or purpose for the action;
- (c) identifying the expected source of repayment in writing;
- (d) structuring the repayment terms to coincide with the expected source of repayment;
- (e) obtaining and analyzing current and satisfactory credit information, including cash flow analysis, where loans are to be repaid from operations; and
- (f) documenting, with adequate supporting material, the value of collateral and properly perfecting the Bank's lien on it where applicable.

(3) For purposes of paragraph (2) of this Article, the borrower's aggregate loan balance includes all loans to the borrower's related interests. "Related interest" shall have the same meaning as set forth in 12 C.F.R. § 215.2

(4) Failure to obtain the information in paragraph (2)(e) of this Article shall require a majority of the full Board to certify in writing the specific reasons why obtaining and analyzing the information in paragraph (2)(e) of this Article would be detrimental to the best interests of the Bank. A copy of the Board certification shall be maintained in the credit file of the affected borrower(s). The certification shall at all times be available for review by the OCC.

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

ARTICLE XI

LENDING POLICY

(1) Within one hundred twenty (120) days, the Board shall review and revise the Bank's written loan policy. The Board shall ensure that the revised loan policy is consistent with the "Loan Portfolio Management Booklet" of the *Comptroller's Handbook*. This revised loan policy shall include, at a minimum, the following:

- (a) a description of acceptable types of loans;
- (b) a provision that current and satisfactory credit information will be obtained on each borrower;
- (c) maturity scheduling related to the anticipated source of repayment, the purpose of the loan, and the useful life of the collateral;
- (d) maximum ratio of loan value to appraised value or acquisition costs of collateral securing the loan;
- (e) a pricing policy that takes into consideration costs, general overhead, and probable loan losses, while providing for a reasonable margin of profit;
- (f) a definition of the Bank's trade area;
- (g) guidelines and limitations for loans originating outside of the Bank's trade area;
- (h) a limitation on aggregate outstanding loans in relation to other balance sheet accounts;
- (i) distribution of loans by category;

- (j) 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;
- (k) guidelines and limitations on concentrations of credit;
- (l) 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;
- (m) guidelines designed to improve Board oversight of the loan approval process, specifically with regard to credits exhibiting significant risk. At a minimum, these guidelines 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 business plan, receive the prior approval of the Board, or a committee thereof;
- (n) guidelines on the preparation of consistent and thorough loan presentations to ensure they contain sufficient and accurate information for the Board to make loan approval decisions. At a minimum, the loan presentation must include cash

flow and credit analyses that fully and accurately reflect the borrower's ability to service the debt;

- (o) criteria under which renewals of extensions of credit may be approved. At a minimum, the criteria shall:
 - (i) ensure that renewals are not made for the sole purpose of reducing the volume of loan delinquencies; and
 - (ii) provide guidelines and limitations on the capitalization of interest;
- (p) procedures to ensure that loans are made in compliance with the lending limit as required by 12 U.S.C. § 84 and 12 C.F.R. Part 32;
- (q) procedures to ensure that loans are supported by adequate valuations or conforming appraisals prior to funding, as required by 12 C.F.R. Part 34;
- (r) detailed underwriting and monitoring policy guidelines for any new and high-risk products. Specifically, for credit card lending, the Board must adopt adequate policies, controls, and management information systems per the “Credit Card Lending Booklet” of the *Comptroller’s Handbook*;
- (s) guidance on the Allowance for Loan and Lease Losses (ALLL) methodology and information utilized to analyze the ALLL;
- (t) guidelines over participation loans to ensure acquisitions are consistent with safe and sound banking practices and the guidelines set forth in Banking Circular 181 (Revised), dated August 2, 1984;
- (u) limitations and controls over capitalization of interest practices;
- (v) collection procedures, to include follow-up efforts, that are systematically and progressively stronger;

- (w) 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;
 - (x) requirements for adequate management information systems and periodic Board reports showing, at a minimum:
 - (i) management's exceptions to the revised lending policy;
 - (ii) loan concentrations;
 - (iii) real estate loans exceeding the supervisory loan-to-value limits consistent with the guidance outlined in 12 C.F.R. Part 34; and
 - (iv) loan renewal and extension activity; and
 - (y) measures to correct the deficiencies in the Bank's lending procedures noted in the ROE or in any subsequent Report of Examination.
- (2) Upon completion, the Board shall adopt, implement and thereafter ensure Bank adherence to the revised loan policy. A copy of the revised loan policy shall be forwarded to the Assistant Deputy Comptroller within five (5) days of adoption.
- (3) The Board shall ensure that the Bank has processes, personnel, and control systems sufficient to ensure implementation of and adherence to the revised loan policy developed pursuant to this Article.

ARTICLE XII

CREDIT AND COLLATERAL EXCEPTIONS

- (1) Within one hundred eighty (180) days the Board shall obtain current and satisfactory credit information on all commercial and commercial real estate loans in excess of one hundred thousand dollars (\$100,000) lacking such information.

(2) The Board shall promptly obtain current and satisfactory credit information on all commercial and commercial real estate loans in excess of one hundred thousand dollars (\$100,000) which are listed as lacking such information 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) Within one hundred eighty (180) days the Board shall ensure proper collateral documentation is maintained on all commercial and commercial real estate loans in excess of one hundred thousand (\$100,000) 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 with collateral exceptions provided to management by the National Bank Examiners at the conclusion of an examination.

ARTICLE XIII

ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) The Board shall by June 30, 2004 review the adequacy of the Bank's Allowance for Loan and Lease Losses ("Allowance") and shall develop 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 "Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions," OCC Bulletin 2001-37, dated July 2001, and shall focus on the following factors:

- (a) results of the Bank's loan review;
- (b) an estimate of inherent loss exposure on each impaired credit and in pools of homogenous credits;

- (c) loan loss experience;
- (d) trends of delinquent and nonaccrual loans;
- (e) concentrations of credit in the Bank;
- (f) present and prospective economic conditions; and
- (g) the concerns listed in the ROE.

(2) The program shall provide for a review of the Allowance by the Board at least once each calendar quarter after adoption. 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) Upon completion, the Board shall adopt, implement and thereafter ensure Bank adherence to the program. A copy of the Board's program shall be submitted to the Assistant Deputy Comptroller within five (5) days of adoption.

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

ARTICLE XIV

PROFIT PLAN

(1) Within one hundred fifty (150) 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 plan and related documents required in this Article shall be submitted to the Assistant Deputy Comptroller within five (5) days of completion. The Board shall submit to the Assistant Deputy Comptroller annual budgets as described in paragraph (1)(b) of this Article for each year this Order remains in effect. After submission of the initial plan, 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 sufficient to ensure implementation of and adherence to the plan developed pursuant to this Article.

ARTICLE XV

COMPENSATION

(1) Effective immediately, the Bank shall not pay bonuses or fees to its officers or directors where the amount of the bonus or fee is based upon the Bank's earnings.

(2) Within sixty (60) days, the Board shall develop a compensation plan for officers and directors that complies with the compensation provisions of the Interagency Guidelines Establishing Standards for Safety and Soundness, Appendix A to 12 C.F.R. Part 30.

(3) Upon completion, the Bank's compensation plan shall be submitted to the Assistant Deputy Comptroller for supervisory review. Upon receiving a written determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall implement and thereafter adhere to the compensation plan.

ARTICLE XVI

INTERNAL AUDIT

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to an independent, internal audit program 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;
- (d) ensure adequate audit coverage in all areas; and
- (e) establish an annual audit plan using a risk based approach sufficient to achieve these objectives.

(2) As part of this audit program, the Board 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 sufficient 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 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, and the Board shall have the sole power to direct their activities. All reports prepared by the audit staff shall be filed directly with the Board 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) A copy of the internal audit program shall be submitted to the Assistant Deputy Comptroller within five (5) days of adoption.

ARTICLE XVII

INFORMATION TECHNOLOGY

(1) The Board shall immediately take all steps necessary to improve the management of the Bank's Information Technology ("IT") activities and correct each deficiency cited in the ROE or any subsequent Report of Examination.

(2) Within sixty (60) days, the Bank shall develop and test a formal business continuity plan which, at a minimum, complies with the requirements set forth in the “Business Continuity Planning Booklet” of the *FFIEC Information Technology Examination Handbook*.

(3) Within sixty (60) days, the Board shall ensure that the data processing manager has the necessary skills and experience to effectively supervise the IT area.

(4) Within sixty (60) days, the Board shall appoint a capable person to serve as IT security officer. The security officer shall be responsible for reviewing and ensuring appropriate data security of the Bank.

(5) Within ninety (90) days, the Board shall implement effective information security process as described in the “Information Security Booklet” of the *FFIEC Information Technology Examination Handbook*.

(6) Within sixty (60) days, the Board shall develop, implement and thereafter ensure Bank adherence to an effective and independent IT audit program. At a minimum, the IT audit program shall be performed by an independent and qualified party, and include fundamental elements of a sound audit program as described in the “Audit Booklet” of the *FFIEC Information Technology Examination Handbook*.

(7) Within one hundred twenty (120) days, the Board shall develop, implement, and thereafter ensure Bank adherence to a risk management program consistent with the guidance described in OCC Bulletin 98-3 Technology Risk Management dated February 4, 1998.

(8) The Board shall ensure that the Data Center has processes, personnel and control systems sufficient to ensure implementation of and adherence to the procedures and programs developed pursuant to this Article.

ARTICLE XVIII

LIQUIDITY

(1) Within sixty (60) days the Board shall adopt a plan to ensure the Bank has or can obtain sufficient liquidity to withstand extraordinary demands against its funding base. The plan shall, at a minimum, include processes to:

- (a) sell assets;
- (b) obtain or expand lines of credit from the Federal Reserve Bank and the Federal Home Loan Bank;
- (c) obtain or expand lines of credit from correspondent banks; and
- (d) inject additional equity capital.

(2) Upon adoption, the Board shall implement and thereafter ensure Bank adherence to the liquidity plan. A copy of the liquidity plan shall be submitted to the Assistant Deputy Comptroller within five (5) days of adoption.

(3) Effective immediately, the Board shall review the Bank's liquidity on a monthly basis. Such reviews shall consider:

- (a) a maturity schedule of certificates of deposit;
- (b) the volatility of large uninsured deposits;
- (c) the volatility of demand deposits including escrow deposits;
- (d) the amount and type of loan commitments and standby letters of credit;
- (e) an analysis of the continuing availability and volatility of present funding sources;
- (f) an analysis of the impact of decreased cash flow from the Bank's loan portfolio resulting from delinquent and non-performing loans; and

- (g) an analysis of the impact of decreased cash flow from the sale of loans or loan participations.

ARTICLE XIX

CONTINGENCY PLAN FOR THE RESOLUTION OF THE BANK

(1) If at any time the OCC determines, in its sole judgment, that the Bank has failed to comply with the requirements of Articles II, III, IV, V, VII, or VIII of this Order, then within thirty (30) days of receiving written notice from the OCC of such fact, the Bank shall develop and shall submit to the OCC for its review and prior determination of no supervisory objection a contingency plan, which shall detail the Board's proposal to sell or merge the Bank.

(2) After the OCC has advised the Bank that it does not take supervisory objection to the Board's proposal to sell or merge the Bank, the Board shall within ninety (90) days, implement, and ensure adherence to, the terms of the proposal to sell or merge the Bank.

(3) The contingency plan shall also include a requirement that if the Board fails to sell or merge the Bank pursuant to paragraph (2) of this Article, the Board shall voluntarily liquidate the Bank in conformance with 12 U.S.C. § 181 and in a manner that will result in no loss or cost to the Federal Deposit Insurance Corporation.

(4) If under any of the provisions of this Order the Board is either required or voluntarily decides to liquidate the Bank, the Board shall submit a satisfactory plan of liquidation to the Assistant Deputy Comptroller within thirty (30) days of that determination. The liquidation plan shall include the hiring of an acceptable independent liquidating agent. If the Board decides or is required to execute this part of the contingency plan in lieu of executing the sale or merger requirement of paragraph (2) of this Article, the Board may request forbearance on individual articles of this Order after submitting a satisfactory plan of liquidation.

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

(6) For the purposes of this Article, a failure to comply with the requirements of Articles II, III, IV, V, VII, or VIII of this Order means that additional action on the part of the Bank, the Board, or management is required to achieve compliance with an article. This includes, but is not limited to, where the Board has failed to adopt policies, procedures and systems within required time frames; where adopted policies, procedures, and systems fail to address all required items in the Article; where the Board or Bank has failed to comply with immediately effective requirements; where the Board or Bank has failed to cease activities prohibited by the article, or where the Board or Bank has failed to fully implement or adhere to corrective actions.

ARTICLE XX

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Board determines that an exception to any provision of this Order is in the best interests of the Bank, or requires an extension of any timeframe within this Order, the Board shall submit a written request to the Assistant Deputy Comptroller asking for relief.

(2) Any written requests submitted pursuant to this Article shall include a statement setting forth in detail the special circumstances that prevent the Bank from complying with any provision, that require the Assistant Deputy Comptroller to exempt the Bank from any provision, or that require an extension of any timeframe within this Order. All such requests shall be accompanied by relevant supporting documentation.

(3) The Assistant Deputy Comptroller's decision in granting the request is final and not subject to further review.

ARTICLE XXI

CLOSING

(1) Although the Board is by this Order required to submit certain proposed actions and programs for the review or prior determination of no supervisory objection 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 Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

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

(4) The provisions of this Order are effective upon issuance of this 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 Order shall have been amended, suspended, waived, or terminated in writing by the Comptroller.

(5) In each instance in this 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:

- (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 Order;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Order;
- (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 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 Comptroller or the United States.

(7) The terms of this Order, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

IT IS SO ORDERED, this 20 day of April, 04.

/S/
Curtis D. Schuman
Assistant Deputy Comptroller
Louisville Field Office

April 20, 2004
Date

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

In the Matter of:)
)
The Ripley National Bank)
Ripley, Ohio)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

The Comptroller of the Currency of the United States of America (“Comptroller”) has informed The Ripley National Bank, Ripley, Ohio (“Bank”) that he intends to initiate cease and desist proceedings against the Bank pursuant to 12 U.S.C. § 1818(b).

The Bank, in the interest of compliance and cooperation, consents to the issuance of a Consent Order, dated April 20, 2004 (“Order”);

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 Order by the Comptroller.

(2) The Bank further agrees that said 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 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). Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller 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 Comptroller has any intention to enter into a contract.

(3) The Bank also expressly acknowledges that no officer or employee of the Office of the Comptroller of the Currency has statutory or other authority to bind the United States, the U.S. Treasury Department, the Comptroller, or any other federal bank regulatory agency or entity, or any officer or employee of any of those entities to a contract affecting the Comptroller’s exercise of its supervisory responsibilities.

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 Order;
- (c) all rights to seek any type of administrative or judicial review of the Order; and
- (d) any and all rights to challenge or contest the validity of the 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 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/

Curtis D. Schuman
Assistant Deputy Comptroller
Louisville Field Office

April 20, 2004

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.

/S/ _____ Edwin Cooper	4/20/04 _____ Date
/S/ _____ John Martin	4-20-04 _____ Date
/S/ _____ Robert Martin	4-20-04 _____ Date
/S/ _____ William Martin	4-20-04 _____ Date
/S/ _____ Nathan Pfeffer	4-20-04 _____ Date

