

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

In the Matter of:)
Jeffrey Scott Ray)
Former First Vice President and Loan Officer)
First National Bank of Muhlenberg County)
Central City, Kentucky)

AA-EC-08-37

STIPULATION AND CONSENT ORDER

WHEREAS, the Comptroller of the Currency of the United States of America (“Comptroller”) intends to initiate cease and desist and civil money penalty proceedings against Jeffrey Scott Ray (“Respondent”) pursuant to 12 U.S.C. §§ 1818(b) and (i) on the basis of Respondent’s activities as a former first vice president and loan officer of First National Bank of Muhlenberg County, Central City, Kentucky (“FNB Muhlenberg” or “the Bank”); and

WHEREAS, in the interest of cooperation and to avoid the costs associated with future administrative and judicial proceedings with respect to the above matter, Respondent, without admitting or denying any wrongdoing, desires to enter into this Stipulation and Consent Order (“Order”);

NOW, THEREFORE, in consideration of the above premises, it is stipulated by and between the Comptroller, through his duly authorized representative, and Respondent that:

ARTICLE I

JURISDICTION

(1) FNB Muhlenberg 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.* The Bank is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c)(2).

(2) Respondent was a former first vice president and loan officer of the Bank and thus is an “institution-affiliated party” of the Bank as that term is defined in 12 U.S.C. § 1813(u), having served in such a capacity within six (6) years from the date hereof (*see* 12 U.S.C. § 1818(i)(3)).

(3) Pursuant to 12 U.S.C. § 1813(q), the Comptroller is the “appropriate Federal banking agency” to maintain an enforcement proceeding against institution-affiliated parties. Therefore, Respondent is subject to the authority of the Comptroller to initiate and maintain a cease and desist order pursuant to 12 U.S.C. § 1818(b) and civil money penalty proceedings pursuant to 12 U.S.C. § 1818(i).

ARTICLE II

COMPTROLLER’S FINDINGS

The Comptroller finds, and Respondent neither admits nor denies, the following:

(1) Respondent’s employment with FNB Muhlenberg began in 1994 and continued until approximately August 2006. Respondent served as a first vice president and loan officer of FNB Muhlenberg.

(2) From May 2005 to August 2006, Respondent made personal loans, aggregating at least \$160,000, to numerous bank customers on bank time and on bank premises. Respondent

made such loans with funds from his mother's living trust account (over which he had power of attorney).

(3) On at least one occasion Respondent provided the borrowers with official bank documentation that listed the Bank as the lender and the secured party. These borrowers believed the loan made by Respondent had been made directly by the Bank.

(4) On another occasion, Respondent altered the Bank's internal loan tracking system to reflect that a bank customer's payment equaled the total amount due on a loan when, in actuality, the payment failed to satisfy the amount due. This loan was a loan that Respondent had made in his role as a loan officer, and it was a loan that was part of Respondent's loan portfolio.

ARTICLE III

PERSONAL CEASE AND DESIST ORDER

Pursuant to the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Respondent hereby consents to and it is Ordered that:

(1) In the event Respondent currently is employed at any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A) (hereinafter "insured depository institution") or any institution that sells or transfers mortgage loans to any insured depository institution, he shall, within ten (10) days of the execution of this Order, provide a copy of this Order to his immediate supervisor as well as the institution's board of directors and chief executive officer.

(2) Prior to accepting any position that would cause Respondent to become an institution-affiliated party (as defined in 12 U.S.C. § 1813(u)) at any insured depository institution, Respondent shall provide a copy of this Order to the institution's board of directors

and chief executive officer. In addition, Respondent shall provide a copy of this Order to any person who would serve as his immediate supervisor.

(3) Within ten (10) days of satisfying the requirements of paragraphs (1) and/or (2) above, Respondent shall provide a written certification of his compliance to the Director, Enforcement and Compliance Division, 250 E Street, SW, Washington, DC 20219.

(4) In connection with any existing or future employment subject to this Article, Respondent shall:

- (a) Not make personal or unauthorized extensions of credit while on the time and/or premises of an insured depository institution;
- (b) Not use his employment for private gain;
- (c) Not falsify the documents of an insured depository institution or use such documents for other than authorized purposes;
- (d) Not otherwise represent that personal extensions of credit are extensions of credit made directly by an insured depository institution;
- (e) Not make false entries into any book, report, or statement of such insured depository institution;
- (f) Not engage in any unsafe or unsound practices, as that term is used in Title 12 of the United States Code;
- (g) Comply fully with all laws, regulations, and policies applicable to any insured depository institution that employs him;
- (h) Fully observe his fiduciary duties to any insured depository institution with which he is or may become affiliated; and

- (i) Adhere to the written policies and procedures of any insured depository institution or agency to which he may become affiliated, or seek and receive written permission from appropriate authorized individuals to do otherwise.

(5) If the Respondent participates in the approval of, or influences the approval of, any extension of credit made by any insured depository institution or agency to which he is or may become affiliated, he shall make certain that:

- (a) the extension of credit is properly underwritten in accordance with such depository institution's policies and procedures and in accordance with safe and sound banking practices;
- (b) the extension of credit is supported by adequate documentation and analysis in accordance with such depository institution's policies and procedures and in accordance with safe and sound banking practices; and
- (c) the extension of credit is in all other aspects in accordance with such depository institution's policies and procedures and in accordance with safe and sound banking practices.

(6) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. § 1818(b).

ARTICLE IV

CIVIL MONEY PENALTY

(1) Without admitting or denying any wrongdoing, Respondent hereby consents to the payment of a civil money penalty in the amount of ten thousand dollars (\$10,000.00), which shall be paid upon signing of this Order. Respondent shall make payment by check made payable to the Treasurer of the United States and shall deliver the payments to: Comptroller of the Currency, P.O. Box 979012, St. Louis, MO 63197-9000. The docket number of this case should be entered on each check.

(2) This Order shall be enforceable to the same extent and in the same manner as an effective and outstanding order that has been issued and has become final pursuant to 12 U.S.C. §§ 1818(h) and (i) (as amended).

(3) Until the civil money penalty is paid in full, upon each and every subsequent change in address, if any, Respondent shall notify the Enforcement Director of his new address within (7) days of such change in address.

ARTICLE V

WAIVERS

- (1) By executing this Order, Respondent waives:
- (a) the right to the issuance of Notice under 12 U.S.C. §§ 1818(b), (i);
 - (b) all rights to a hearing and a final agency decision pursuant to 12 U.S.C. §§ 1818(b), (i) and 12 C.F.R. Part 19;
 - (c) all rights to seek judicial review of this Order;
 - (d) all rights in any way to contest the validity of this Order; and

(e) any and all claims for fees, costs or expenses against the Comptroller, or any of his agents or employees, related in any way to this enforcement matter or this Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to the Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412.

(2) Respondent shall not cause, participate in or authorize the Bank (or any subsidiary or affiliate thereof) to incur, directly or indirectly, any legal (or other professional) expense relative to the negotiation and issuance of this Order except as permitted by 12 C.F.R. § 7.2014 and Part 359; and Respondent shall not, directly or indirectly, obtain or accept any indemnification (or other reimbursement) from the Bank (or any subsidiary or affiliate thereof) with respect to such amounts except as permitted by 12 C.F.R. § 7.2014 and Part 359.

(3) Respondent acknowledges that he has read and understands the premises and obligations of this Order and declares that no separate promise or inducement of any kind has been made by the Comptroller or his agents or employees to cause or induce Respondent to agree to consent to the issuance of the Order or to execute this Order.

(4) It is hereby agreed that the provisions of this Order constitute a settlement of the cease and desist and civil money penalty proceedings arising out of the specific acts, omissions, or violations described in the Comptroller's Findings (Article II). However, the specific acts, omissions, or violations described in Article II may be used by the OCC in future enforcement actions to establish a pattern or practice of misconduct or the continuation of a pattern or practice of misconduct.

(5) It is further agreed that the provisions of this Order shall not be construed as an adjudication on the merits and, except as set forth above in paragraph (4), shall not inhibit, estop

bar, or otherwise prevent the Comptroller from taking any action affecting Respondent 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.

(6) Respondent understands that nothing herein shall preclude any proceedings brought by the Comptroller to enforce the terms of this Order, and that nothing herein constitutes and Respondent shall not content that it constitutes, a waiver of any right, power, or authority of any representative of the United States or agencies thereof, including the Department of Justice, to bring other actions deemed appropriate.

IN TESTIMONY WHEREOF, the undersigned have hereunto set their hands.

/s/Ronald G. Schneck
Ronald G. Schneck
Director
Special Supervision Division

07/09/08
Date

/s/Jeffrey Scott Ray
Jeffrey Scott Ray

06/27/08
Date