

SUPERVISORY AGREEMENT

OTS Docket No.: 03280

This Supervisory Agreement (“Agreement”) is made, as of this 30th day of December 2005 (the “Effective Date”), by and between **RIPLEY FEDERAL SAVINGS BANK** (the “Bank”, OTS Docket No. 03289), a federally chartered savings bank having its main office located at 1006 South Second Street, Ripley, Ohio 45167, and the **OFFICE OF THRIFT SUPERVISION** (“OTS”), a federal bank regulatory agency within the United States Department of the Treasury, which is acting through its Northeast Regional Director or his designee (“Regional Director”) and has its Northeast Regional Office located at Harborside Financial Center Plaza Five, Suite 1600, Jersey City, New Jersey 07311.

WHEREAS, the OTS is the primary federal regulator of the Bank pursuant to the Home Owners’ Loan Act (“HOLA”), 12 U.S.C. §§ 1461 *et seq.*, and is the Bank’s appropriate Federal banking agency for purposes of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. §§ 1811 *et seq.*;¹ and

WHEREAS, based on the findings set out in the Report of Examination for the regulatory examination of the Bank that was started on August 29, 2005 (the “2005 Report of Examination”), the OTS is of the opinion that the Bank has engaged in one or more regulatory violations and has operational weaknesses warranting correction; and

WHEREAS, the OTS is of the opinion that: (i) grounds exist for the initiation of administrative proceedings against the Bank, and (ii) it is appropriate to take measures intended to ensure that the Bank will comply with applicable laws and regulations and engage in safe and sound practices; and

WHEREAS, the Bank, acting through its Board of Directors (the “Board”), without admitting or denying any unsafe and unsound practices or regulatory violations, wishes to cooperate with the OTS and to evidence its commitment to operate prudently and to comply with all applicable laws and regulations.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

¹ All references herein to the United States Code (U.S.C.) and the Code of Federal Regulations (C.F.R.) are as amended, unless otherwise indicated.

1. Compliance with Laws and Regulations. The Bank shall comply fully with the following laws and regulations:

- a. The Flood Disaster Protection Act (“FDPA” or FDP Act”), 42 U.S.C. §§ 4001 – 4129, and the OTS’s regulations thereunder, 12 C.F.R. Part 572 (including but not limited to section 572.3); and
- b. The Truth in Lending Act, 15 U.S.C. § 1601 *et seq.*, and Regulation Z, 12 C.F.R. Part 226 (including but not limited to sections 226.5 and 226.7).

2. Compliance Management Enhancement.

By no later than the ninetieth (90th) calendar day following the Effective Date hereof (or such later date as may be permitted by the OTS in writing), the Bank shall: (i) complete a compliance risk assessment relative to Compliance Laws and Regulations that are pertinent to its operations,² and (ii) adopt written amendments to its written compliance management program (which shall address each of the six SMAART components identified in the table below³) to provide for an appropriate comprehensive self-assessment schedule and program. Thereafter, the Bank shall implement the compliance management program, as amended.

Systems	The embodiment of task-specific procedures and internal controls that ensure that transactions are conducted and recorded in compliance with legal obligations and customer-service goals.
Monitoring	The process of supervising the day-to-day or week-to-week functioning of the Bank’s compliance systems to assure real-time execution in accordance with program standards.
Assessment	The periodic review of system records and operations to identify transactional violations and program deficiencies.
Accountability	The arrangement of responsibility, authority and reporting relationships that provides direction to staff for implementing institution compliance policy and appraises senior management and the directors about compliance program performance.
Response	The process of addressing consumer complaints, remedying regulatory violations, amending procedures and controls, correcting internal oversight deficiencies, and implementing policy and system revisions or updates.
Training	The communication to appropriate Bank personnel of compliance policies, procedures, directives, regulatory requirements, product information and service goals. Also addressed by this component is the commitment and manner in which the Savings Bank develops and maintains staff expertise.

3. Management of Compliance Program.

(a) The Bank’s Compliance Management Program shall continue to be managed and implemented by the Bank’s Compliance Officer, who is a full-time Bank employee. On no less

² Many potentially pertinent Compliance Laws and Regulations are identified in the Overview of Laws and Regulations in the OTS guidebook entitled “Compliance: A Self-Assessment Guide”.

³ These are described further in “Compliance: A Self-Assessment Guide”

than a quarterly basis, the Compliance Officer shall report to the Board on activities and developments relative to the Compliance Management Program.

(b) Within sixty (60) days of the Effective Date hereof (or such later date as the OTS may permit in writing), the Bank shall provide the OTS with a letter that summarizes each of the actions taken, since October 6, 2005, to enhance compliance with the each of the compliance laws and regulations specifically identified in the 2005 Report of Examination, including but not limited to, the Flood Disaster Protection Act, the Truth in Lending Act, and the above-identified implementing regulations.

(c) On no less than a semi-annual basis, the Compliance Officer shall report to the Board on whether any amendments or enhancements to the Compliance Management Program should be adopted and implemented to further the Bank's adherence to the compliance laws and regulations, in view of any change in circumstances (including any changes in laws, regulations, regulatory guidance, or industry best practices) and the Bank's experience in implementing the Compliance Management Program.

(d) The Bank's Board shall ensure that the Compliance Officer has sufficient authority, competency, time, staff (which may include outsourced staff) and resources to perform his/her compliance management responsibilities on a day-to-day basis. The Bank's Board and executive management also shall assure that such person is provided adequate resources (included budgeted funds) and ongoing training (on no less than an annual basis), in order to perform his/her compliance officer duties effectively.

4. Improvement of Program for Compliance with the Flood Disaster Protection Act.

(a) The Bank immediately shall commence a review and study (the "FDPA Study") of its policies and procedures for compliance with the Flood Disaster Protection Act and 12 C.F.R. Part 572 (the "Flood Insurance Policies and Procedures"). The FDPA Study shall be completed and reviewed by the Bank's Board of Directors within sixty (60) calendar days following the Effective Date hereof (or such later date as may be permitted by the OTS in writing).

(b) Within seventy-five (75) calendar days of the Effective Date hereof (or such later date as may be permitted by the OTS in writing), the Bank shall: (i) provide the OTS with a copy of a written report about the FDPA Study; and (ii) provide the OTS with a letter summarizing the Board's views and proposed actions relative to such study/report.

(c) By no later than ninety (90) calendar days following the Effective Date hereof, the Board, based on its consideration of the FDPA Study and with a view to the safe and sound operation of the Bank, must adopt appropriate written amendments to its Flood Insurance Policies and Procedures so as to enhance its compliance with the FDP Act and 12 C.F.R. Part 572. By no later than one hundred (100) calendar days following the Effective Date hereof (or such later date as the OTS may permit in writing), the Bank's Board shall submit a black-lined copy of its amended Flood Insurance Policies and Procedures (including any related Board minutes) to the OTS for its review and non-objection. Upon receipt of written notice from the OTS of the acceptability of the amended Flood Insurance Policies and Procedures (with such revisions as may be required by the OTS), the Bank shall commence implementation of such amended Flood Insurance Policies and Procedures.

5. Improvement of HELOC Program.

(a) The Bank, pursuant to duly adopted actions by its Board following its consideration of a study of its Home Equity Line of Credit ("HELOC") program ("HELOC Study"), shall develop, adopt and implement a written plan ("HELOC Improvement Plan") that, at a minimum, will correct the weaknesses in the HELOC program that are identified in the 2005 Report of Examination. In connection with the preparation of the HELOC Study, the Bank shall consult with a qualified attorney. The HELOC Study must be acceptable to the OTS.

(b) The HELOC Study shall be completed and reviewed by the Bank's Board of Directors within sixty (60) calendar days following the Effective Date hereof (or such later date as may be permitted by the OTS in writing). Within seventy-five (75) calendar days of the Effective Date hereof (or such later date as may be permitted by the OTS in writing), the Bank shall: (i) provide the OTS with a copy of a written report about the HELOC Study; and (ii) provide the OTS with a letter summarizing the Board's views and proposed actions relative to such study/report.

(c) By no later than ninety (90) calendar days following the Effective Date hereof, the Board, based on its consideration of the HELOC Study and with a view to the safe and sound operation of the Bank, must adopt an appropriate written HELOC Improvement Plan. By no later than one hundred (100) calendar days following the Effective Date hereof (or such later date as the OTS may permit in writing), the Bank's Board shall submit its proposed HELOC Improvement Plan (including any related Board minutes) to the OTS for its review and non-

objection. Upon receipt of written notice from the OTS of the acceptability of the HELOC Improvement Plan (with such revisions as may be required by the OTS), the Bank shall commence implementation of such plan.

6. Compliance With Agreement; Board Compliance Committee.

(a) The Bank's Board and officers shall take all actions necessary or appropriate to cause the Bank to continue to comply with the provisions of this Agreement.

(b) The Bank shall correct, and the Board shall require Management to correct, all deficiencies identified in the 2005 Report of Examination, including but not limited to those identified in the section entitled "Matters Requiring Board Attention". To the extent there is any conflict between requirements specified in this Agreement and those specified in the Report of Examination the requirements in this Agreement shall prevail and be applicable.

(c) Within fifteen (15) days of the Effective Date hereof, the Board shall appoint a committee (the "Compliance Committee") comprised of 3 or more directors, the majority of whom shall be outside directors, to monitor and coordinate the Bank's compliance with the provisions of this Agreement.

(d) Within thirty (30) days after the end of each calendar quarter following the date of this Agreement (December 31, March 31, June 30, and September 30), the Compliance Committee shall submit a written progress report to the Board of Directors detailing the actions taken to comply with each provision of this Agreement and the results of those actions.

(e) Within forty-five (45) days after the end of each calendar quarter following the Effective Date of this Agreement, the Board of Directors shall: (i) forward to the OTS a copy of the above-required quarterly progress report of the Compliance Committee, together with any additional comments made by the Board of Directors, to the OTS, and (ii) submit a written certification stating, except as otherwise disclosed, that each director has reviewed said quarterly report.

7. Submission of Required Documents to the OTS/Compliance with Required Plans.

(a) The Bank, when required by this Agreement to submit documents to the OTS, shall submit them as follows:

<p><u>The original to:</u> James G. Price, Assistant Director Office of Thrift Supervision 1 South Wacker Drive, Suite 2000 Chicago, Illinois 60606</p>	<p><u>A copy to:</u> David Payne, Field Manager Office of Thrift Supervision 8260 Northcreek Drive, Suite 160 Cincinnati, Ohio 45236</p>
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(b) With respect to any plan, policy or procedure that is timely filed and prepared with reasonable diligence by the Bank, but nevertheless requires modification to accommodate input by OTS occurring after the due date, no violation will be found to exist for so long as the Bank: (i) makes diligent and good faith efforts to incorporate such modifications and (ii) complies with subsequent OTS direction concerning the due dates for implementing such modifications.

(c) Except with the prior written approval of the Regional Director (or his designee), the Bank shall not amend or rescind the following: (i) the Flood Insurance Policies and Procedures adopted in accordance with Section 4 of this Agreement, or (ii) the HELOC Improvement Plan adopted in accordance with Section 5 of this Agreement. The foregoing restriction is applicable during the term of this Agreement.

8. Definitions.

All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, the Home Owners' Loan Act ("HOLA"), the FDI Act or published OTS guidance (including the Examination Handbooks and Memoranda). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDI Act, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

9. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Agreement to provisions of federal and state statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

10. Time Limits.

Time limitations for compliance with the terms of this Agreement run from the Effective Date unless otherwise noted.

11. Rules of Interpretation.

(a) Nothing in this Agreement shall be construed as allowing the Bank to violate any law, rule, regulation, or policy statement to which it is subject.

(b) The section and paragraph headings herein are for convenience only and shall not affect the construction hereof.

(c) In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the OTS determines otherwise in the exercise of its discretion.

12. Integration Clause; Relationship to Other Regulatory Actions.

This Agreement represents, as of the Effective Date, the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date.

13. Successors In Interest/Benefit.

The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, expressed or implied, shall give to any person or entity, other than the parties hereto, the Federal Deposit Insurance Corporation, and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

14. Enforceability of Agreement; Director Attestation.

The Bank represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding agreement of the Bank. Each director signing this Agreement at Appendix A hereof attests, by such act, that she or he, as the case may be, voted in favor of the Board resolutions (copies submitted to the OTS) authorizing the execution of this Agreement by the Bank.

15. No Bar or Estoppel.

The provisions of this Agreement shall not bar, estop, or otherwise prevent the OTS from taking any other action (including, without limitation, any type of supervisory, enforcement or resolution action) affecting the Bank or any of its current or former institution-affiliated parties.

16. Counterparts.

This Agreement may be executed in separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument.

17. Statutory Basis for Agreement.

This Agreement is a "written agreement" for the purposes of section 8 of the FDI Act, 12 U.S.C. § 1818.

18. Effective Date; Duration; Termination or Suspension of Agreement.

This Agreement shall be effective and enforceable as of the Effective Date, which date appears on the first page of this Agreement. This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, acting by and through its Regional Director or other authorized representatives. The OTS may suspend any or all provisions of this Agreement by providing written notice of such action to the Bank.

IN WITNESS WHEREOF, the parties hereto hereby execute this Agreement.

RIPLEY FEDERAL SAVINGS BANK

OFFICE OF THRIFT SUPERVISION

By: *Danny R. Grooms*
Danny R. Grooms
President & Chief Executive Officer

By: *Robert C. Albanese*
Robert C. Albanese
Regional Director, Northeast Region

Date: *December 28*, 200*5*

Date: The Effective Date shown on page 1

APPENDIX A TO SUPERVISORY AGREEMENT

The undersigned individuals, each being directors of RIPLEY FEDERAL SAVINGS BANK, acknowledge that each, following his/her review and consideration of the foregoing Agreement, has voted in favor of the Board resolutions authorizing the Bank to execute the foregoing Agreement and to perform the responsibilities required by the Agreement.

E. Dale McDaniel
E. Dale McDaniel

William R. Geschwind
William R. Geschwind

Danny R. Grooms
Danny R. Grooms

John P. Cropper
John P. Cropper

Kenneth D. Morrison
Kenneth D. Morrison

David E. Poole
David E. Poole