FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND

COMMONWEALTH OF KENTUCKY
OFFICE OF FINANCIAL INSTITUTIONS

In the Matter of	)	
	)	
STATE BANK AND TRUST COMPANY	)	
Harrodsburg, Kentucky	)	ORDER TO CEASE AND DESIST
	)	
(INSURED STATE NONMEMBER BANK)	)	FDIC-07-231b

State Bank and Trust Company, Harrodsburg, Kentucky ("Bank"), having been advised of its right to a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law, rule, or regulation alleged to have been committed by the Bank, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b), and under section 286.3-690 of the Kentucky Revised Statutes, Ky. Rev. Stat. Ann. § 286.3-690 (Michie 2006), regarding hearings before the Commonwealth of Kentucky, Office of Financial Institutions ("KOFI"), and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with representatives of the Federal Deposit Insurance Corporation ("FDIC") and KOFI, dated February

5, 2008, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices and violations of law, rule, or regulation, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and KOFI.

The FDIC and KOFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws, rules, or regulations. The FDIC and KOFI, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS HEREBY ORDERED, that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of law, rule, or regulation:

A. Operating with a board of directors which has failed to provide adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule, or regulation.

B. Operating with management whose policies and practices are detrimental to the Bank and jeopardize the safety of its deposits.

C. Operating with an inadequate audit program.

D. Operating with inadequate internal routines and controls.

E. Inaccurately reporting the income, expenses and assets of the institution.

F. Violating laws, rules, or regulations.

G. Engaging in weak lending and lax collection practices.

H. Operating with an excessive level of adversely classified assets.

I. Operating with an inadequate level of capital protection for the degree of risk within the institution.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties, and its successors and assigns, take affirmative action as follows:

1. Upon the effective date of this ORDER, the board of directors shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank’s activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: audit activities; reports

of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; operating policies; and individual committee actions. Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

2. Within 120 days of the date of this ORDER the Bank shall increase its board of directors by the addition of no less than two independent directors, and independent directors shall comprise the majority of the Bank’s board of directors. The addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank’s by-laws, by means of appointment or election at a regular or special meeting of the Bank’s shareholders and in compliance with paragraph 4(b) of this ORDER. For purposes of this ORDER, an independent director shall be any individual who is not an officer of the Bank, any subsidiary, or any of its affiliated organizations; who does not own more than 10 percent of the Bank’s outstanding shares and does not otherwise share a common financial interest with such officer, director or shareholder; who is not indebted to the Bank directly or indirectly, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent of the Bank’s total Tier 1 capital and allowance for loan and lease losses; or who is deemed to be

an independent director for purposes of this ORDER by the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and the Executive Director of KOFI ("Executive Director").

3. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and Executive Director, who will develop a written analysis and assessment of the Bank's management needs ("Management Study") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and Executive Director with a copy of the proposed engagement letter or contract with the consultant for review. The contract or engagement letter, at a minimum should include:

i. A description of the work to be performed under the contract or engagement letter;

ii. The responsibilities of the consultant;

iii. An identification of the professional standards covering the work to be performed;

iv. Identification of the specific procedures to be used when carrying out the work to be performed;

v. The qualifications of the employee(s) who are to perform the work;

vi. The time frame for completion of the work;

vii. Any restrictions on the use of the reported findings; and

viii. A provision for unrestricted examiner access to workpapers.

(c) The Management Study shall be developed within 90 days from the effective date of this ORDER. The Management Study shall include, at a minimum:

i. Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

ii. Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

iii. Evaluation of all Bank officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including adherence to the Bank’s established policies and practices, and restoration and maintenance of the Bank in a safe and sound condition;

iv. Evaluation of all Bank officer’s compensation, including salaries, director fees, and other benefits.

v. A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer positions identified by this paragraph of this ORDER.

(d) Within 30 days after receipt of the Management Study the Bank shall formulate a plan to implement the recommendations of the Management Study. The plan required by this subparagraph shall be acceptable to the Regional Director and Executive Director.

4. (a) During the life of this ORDER, the Bank shall have and thereafter retain qualified management. Each member of management shall have the qualifications and experience commensurate with his or her duties and responsibilities at the Bank. The qualifications of management shall be assessed on their ability to:

i. comply with the requirements of this ORDER;

ii. operate the Bank in a safe and sound manner;

iii. comply with applicable laws, rules, and regulations;

iv. comply with board approved policies; and

v. restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, and management effectiveness.

(b) Prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall comply with the requirements of section 32 and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100-303.104. For purposes of this ORDER, “senior executive officer” is defined as in section 32 of the Act, 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b), and includes any person identified by the FDIC and KOFI, whether or not hired as an employee, with significant influence over, or who participates in, major policymaking decisions of the Bank. Further, the Bank shall request and obtain the Executive Director’s written approval prior to the addition of any individual to the board of directors and the employment of any individual as a senior executive officer.

5. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop, adopt and implement a written ethics policy (“Ethics Policy”) designed to bring to the attention of each member of the board of directors conflicts of interest which may exist in approving loans or other transactions in which officers, directors or principal stockholders of the Bank (“Insiders”) are involved. The Ethics Policy will state the ethical conduct and other standards expected of directors, officers, employees, agents and other persons participating in

the conduct of the affairs of the Bank (“Covered Individuals”), in the performance of their duties and responsibilities, and establish the definitions, instructions and format to be followed by Covered Individuals in the preparation of comprehensive conflict disclosure statements (“Statements”) to be filed for review by an Ethics Counselor and/or Ethics Committee. The Ethics Counselor or Ethics Committee shall insure compliance with the Ethics Policy. At a minimum, the Ethics Policy will prohibit self-dealing by insiders or their interests advancing personal, business, or other interests, or those of others, at the expense of the Bank; and require:

i. Initial statements from all existing Covered Individuals;

ii. Initial statements from any person who becomes a new Covered Individual;

iii. Periodic statements from all Covered Individuals;

iv. The disclosure of all potential conflicts of interest arising from a business or other interest or affiliation; and

v. Immediate reporting of new conflicts or discovery of previously unreported conflicts.

(b) The Ethics Policy will, at a minimum, ensure that each member of the board of directors has been apprised of any potential conflict prior to making a decision, and has acted specifically on any loan or other transaction in which Insiders and/or their business associates are, directly or indirectly, involved. The results of any deliberations by the board of directors regarding potential conflicts shall be reflected in the minutes of its meetings. The Ethics Policy will also address the ethical and other conduct and responsibilities with respect to Covered Individuals, and specifically the permissibility and disclosure of:

i. Acceptances of gifts, entertainment, favors and loans;

ii. Use of official information;

iii. Employment of relatives;

iv. Use of Bank property;

v. Reimbursement or payment of travel expenses;

vi. Indebtedness to the Bank or any other financial institutions;

vii. Financial interests and obligations that appear to conflict with the individual's duties and responsibilities, including, but not limited to, participation of any sort in any transaction or loan in which the individual, their spouse, child, partner, or any organization in which the individual has a financial interest, or serves as an officer, director, trustee, or partner, is involved;

viii. Purchasing of Bank property;

ix. Providing goods or services to the Bank;

x. Outside employment and other activities; and

xi. A periodic written method of reporting each individual's compliance with the Ethics Policy to an Ethics Counselor and/or committee who shall review compliance with the Ethics Policy and report findings to the board of directors.

6. Within 30 days of the effective date of this Order the Bank's board of directors shall develop, adopt and implement a policy to insure the timely and accurate filing of Suspicious Activity Reports ("SAR"). At a minimum the SAR policy should address:

i. Procedures to ensure compliance with Part 353 of the FDIC's Rules and Regulations, with emphasis on those provisions dealing with the need for, and timely filing of,SARS;

ii. Designating a member of the Bank's management team with specific responsibility for the filing of SARS;

iii. Creating a reporting mechanism so that the Board is made aware of SARS filed by the Bank on a timely basis;

iv. Immediate notification of the Board where the subject of a SAR is a Bank employee; and

v. Appropriate actions to be taken where a Bank employee is the subject of a SAR.

The policy shall be acceptable to the Regional Director and Executive Director.

7. (a) Within 120 days from the effective date of this ORDER, the Bank shall cause an external audit of its financial statements for the calendar year 2007 and all subsequent years while this ORDER is in effect to be performed by an independent public accounting firm acceptable to the Regional Director and Executive Director. The contract or engagement letter with the public accounting firm, at a minimum, should include:

i. A description of the work to be performed under the contract or engagement letter;

ii. The responsibilities of the public accounting firm;

iii. An identification of the professional standards covering the work to be performed;

iv. Identification of the specific procedures to be used when carrying out the work to be performed;

v. The time frame for completion of the work;

vi. A provision for unrestricted examiner access to workpapers; and

vii. A provision stating that the public accounting firm will present the findings of the audit directly to the Bank's board of directors.

(b) Within 120 days from the effective date of the ORDER, the Bank shall engage an independent public accounting firm acceptable to the Regional Director and Executive Director to provide an attestation as to the effectiveness of the Bank's internal controls over financial reporting. The engagement should be conducted in accordance with the Interagency Policy Statement on the Internal Audit Function and Its Outsourcing, and the American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct.

(c) Within 90 days from the effective date of this ORDER, the Bank's board of directors shall comply with the Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations (October 15, 1999). Changes made by the Bank in its audit program as a result of complying with this paragraph shall be recorded in the applicable board of directors' minutes and forwarded to the Regional Director and Executive Director.

8. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a comprehensive written program for both internal and external audits. The internal audit program shall provide that:

i. The internal auditor make written monthly reports of audit findings directly to the Bank’s board of directors or audit committee;

ii. The minutes of the board of directors meetings document the findings and any action taken as a result of the findings;

iii. The minutes of board of director’s meetings document the reasons for not taking action on a particular audit finding, with each individual member’s vote recorded; and

iv. The board of directors establish minimum qualifications, including education, training and experience, for the internal auditor which are acceptable to the Regional Director and Executive Director.

(b) The Bank shall provide the Regional Director and Executive Director with a copy of all external audit reports, management letters, and qualifications within 10 days of the Bank’s receipt of such report(s). The board of directors shall address all findings of the external audit reports at its next regular meeting after receipt of the reports. Any action or inaction taken as a result of addressing the reports shall be noted in the minutes of the board of directors’ meeting with each individual member’s vote recorded.

(c) The internal and external audit program developed by the Bank shall be acceptable to the Regional Director and Executive Director.

9. (a) Upon the effective date of this ORDER, the Bank shall discontinue its practice of taking evaluation fees charged on real estate loans as cash disbursements.

(b) Within 30 days from the effective date of this ORDER the Bank shall engage an independent public accounting firm to provide a detailed accounting of evaluation fees charged on real estate loans from September 10, 2000 through the effective date of this ORDER. The detailed accounting required by this paragraph shall include a detailed review of the accounting area for the purpose of evaluating accounting policies, principals and procedures being followed; recordkeeping methods and data maintained; file structures and file contents; and timeliness of reporting and reporting mechanisms. Additionally, the public accounting firm shall review the Bank’s accounting practices with respect to real estate evaluation fees to determine that these income and expense accounts of the Bank are recorded correctly and comply with Call Report instructions and generally accepted accounting principals. The contract or engagement letter with the public accounting firm, at a minimum, should include:

i. A description of the work to be performed under the contract or engagement letter;

ii. the responsibilities of management;

iii. The responsibilities of the public accounting firm;

iv. An identification of the professional standards covering the work to be performed;

v. Identification of the specific procedures to be used when carrying out the work to be performed;

vi. The time frame for completion of the work;

vii. A provision for unrestricted examiner access to workpapers;

viii. A provision stating that the public accounting firm will report directly to the Bank's board of directors; and

ix. A provision stating that copies of any reports, including draft copies, that are supplied to the Bank be submitted at the same time to the Regional Director and Executive Director.

10. The Bank shall take action to ensure that all Bank records relating to real estate evaluation fees be preserved and maintained in a form that is accessible by the Bank's public accounting firm and examiners.

11. As of the effective date of this ORDER, the board of directors shall reconstitute its Audit Committee so that it is comprised solely of independent directors as defined in paragraph 2 of this ORDER.

12. Within 30 days from the effective date of this ORDER, the Audit Committee shall establish procedures for employees to submit concerns to the Audit Committee about questionable accounting, internal accounting control, and auditing matters. The Audit Committee shall establish procedures to ensure that submissions to the Audit Committee can be made on a confidential and anonymous basis.

13. (a) Within 90 days from the effective date of this ORDER, the Bank shall correct the deficiencies in internal routines and controls which are detailed in the September 10, 2007 Report of Examination (“Report of Examination”).

(b) The Bank shall establish policies and procedures acceptable to the Regional Director and Executive Director to prevent the recurrence of any deficiencies noted. At a minimum the policies and procedures should address:

i. The use of “cash out tickets” in all transactions, and include a report to the board of directors on a monthly basis of all “cash out tickets” involving income or expense transactions of the Bank. The report must state to whom the cash was given as well as the reasons therefore and include receipts.

ii. The accurate accounting of all fees received in real estate or any other transactions to insure that they are recorded as income.

14. Within 60 days from the effective date of this ORDER, the Bank shall update the Windows 98 Operating System currently running on two workstation computers. The new operating system should ensure that anti-virus and anti-spyware software, and a firewall are running on each workstation. In addition, the operating systems for each workstation should be configured with available security standards to ensure access to each workstation is limited.

15. (a) Within 60 days from the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law, rule, regulation, and contravention of policy statements listed in the Report of Examination in a manner acceptable to the Regional Director and the Executive Director.

(b) Within 30 days from the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws, rules, regulations, and policy statements.

16. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate adopt and implement a written profit

plan and a realistic, comprehensive budget for all categories of income and expense for calendar year 2008. The plan required by this paragraph shall contain formal goals and strategies, consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) Within 30 days from the end of each calendar quarter following completion of the profit plan and budget required by this paragraph, the Bank's board of directors shall evaluate the Bank's actual performance in relation to the plan and budget, record the results of the evaluation, and note any actions taken by the Bank in the minutes of the board of directors' meeting at which such evaluation is undertaken.

(c) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(d) The plan(s) and budget(s) required by this paragraph shall be acceptable to the Regional Director and Executive Director.

17. As of the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" and 50 percent of all assets classified "Doubtful" detailed in the Report of Examination that have not been previously collected or charged-

off. Any such charged-off assets shall not be rebooked without the prior written consent of the Regional Director and Executive Director. Elimination or reduction of these assets with the proceeds of other Bank extensions of credit is not considered collection for the purpose of this paragraph.

18. (a) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who is already obligated in any manner to the Bank on any extensions of credit (including any portion thereof) that has been charged-off the books of the Bank or classified "Loss" so long as such credit remains uncollected.

(b) As of the effective date of this ORDER, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower whose loan or other credit has been classified "Substandard", "Doubtful", or is listed for Special Mention and is uncollected unless the Bank's board of directors has adopted, prior to such extension of credit, a detailed written statement giving the reasons why such extension of credit is in the best interest of the Bank. A copy of the statement shall be placed in the appropriate loan file and shall be incorporated in the minutes of the applicable board of director's meeting.

19. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a written plan to

reduce the Bank’s risk position in each asset in excess of $50,000 which is classified “Substandard” or “Doubtful” in the Report of Examination. In developing such plan, the Bank shall, at a minimum:

i. Review the financial position of each such borrower, including source of repayment, repayment ability, and alternative repayment sources; and

ii. Evaluate the available collateral for each such credit, including possible actions to improve the Bank’s collateral position.

(b) Such plan shall include, but not be limited to:

i. Dollar levels to which the Bank shall reduce each asset within 6 months from the effective date of this ORDER; and

ii. Provisions for the submission of monthly written progress reports to the Bank’s board of directors for review and notation in minutes of the meetings of the board of directors.

(c) As used in this paragraph, “reduce” means to: (1) collect; (2) charge-off; or (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC or KOFI.

(d) The plan and its implementation shall be acceptable to the Regional Director and Executive Director.

20. Within 120 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for "Special Mention" in the Report of Examination. In the event a deficiency is not correctable within this time frame the Bank shall develop a plan to correct the deficiency and advise the Regional Director and Executive Director accordingly.

21. Within 90 days from the effective date of this ORDER, the Bank shall formulate, adopt and implement a written plan for the reduction and collection of delinquent loans. The plan shall include, but not be limited to, provisions which:

(a) Prohibit the extension of credit for the payment of interest;

(b) Establish acceptable guidelines for the collection of delinquent credits;

(c) Establish dollar levels to which the Bank shall target reduction of delinquencies within 6 and 12 months from the effective date of this ORDER;

(d) Provide for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the board of directors; and

(e) The plan and its implementation shall be acceptable to the Regional Director and Executive Director.

22. (a) As of the effective date of this ORDER, the Bank's loan committee shall meet on at least a monthly basis, and shall include at least 1 independent director as defined in paragraph 2 of this ORDER.

(b) The loan committee shall, at a minimum, perform the following functions;

i. Evaluate, grant and/or approve loans not in accordance with the Bank's loan policy. The loan committee shall provide a thorough written explanation of any deviations from the loan policy, which explanation shall address how said exceptions are in the Bank's best interest. The written explanation shall be included in the minutes of the corresponding committee meeting.

ii. Review and monitor the status of repayment and collection of overdue and maturing loans with an outstanding balance exceeding $5000, as well as all loans classified "Substandard" in the Report of Examination, or that are included on the Bank's internal watch list.

iii. Review and give prior written approval for all advances, renewals, or extensions of credit to any borrow or the borrower's related interests when the aggregate volume of credit extended to the borrower or the borrowers related interests exceed $100,000. The aggregate amount triggering this requirement shall exclude amortizing loans secured by one to four family, owner occupied dwellings, loans providing home equity lines of credit consistent with the Bank’s loan policy; loans secured by the deposits at the Bank; and overdrafts of $1000 or less. For purposes of this ORDER, the term “related interest” is defined pursuant to section 215.2(n) of Regulation O of the Board of Governors of the Federal Reserve System, 12 C.F.R. § 215.2(n).

iv. Review all applications for new loans and renewals of existing loans to Bank directors, executive officers, their related interests, and prepare a written opinion as to whether the credit is in conformance with the Bank’s loan policy and all applicable laws, rules, and regulations. Such applications, renewals, and written opinions shall be referred to the Bank’s board of directors for consideration.

v. Maintain written minutes of the committee meetings, including a record of the review and status of the aforementioned loans.

23. (a) Within 60 days from the effective date of this ORDER, the Bank shall submit to the Regional Director and Executive Director a schedule reflecting training for each of the Bank's loan officers. The training shall focus on cash flow analysis and determining a borrower's ability to service indebtedness, and shall be conducted, sponsored, or approved by nationally-recognized bankers' organizations.

(b) The training required by this paragraph shall be completed within 180 days of the effective date of this ORDER.

(c) Certificates of completion or organizational letters indicating the loan officer's name, the number of course hours completed, and date and title of the course attended shall be maintained by the Bank and shall be readily accessible by FDIC and KOFI examiners.

24. (a) Within 90 days from the effective date of this ORDER, the Bank shall revise, adopt, and implement an internal loan review and grading system to periodically review the Bank's loan portfolio and identify and categorize problem credits. At a minimum, the loan review/grading system required by this paragraph shall provide for:

i. Identification of the overall quality of the loan portfolio;

ii. Identification and amount of each delinquent loan;

iii. Identification, or grouping, of loans that warrant the special attention of management;

iv. For each loan identified, a statement of the amount and an indication of the degree of risk that the loan will not be fully repaid according to its terms and the reason(s) why the particular loan merits special attention;

v. Identification of credit and collateral documentation exceptions;

vi. Identification and status of each violation of law, rule or regulation;

vii. Identification of loans not in conformance with the Bank’s lending policy and exceptions to the Bank’s lending policy;

viii. Identification of insider loan transactions;

xi. Identification of borrowers with negative amortizing repayment schedules; and

x. The creation of a mechanism for reporting, no less than quarterly, to the board of directors on the status of each loan identified and the action(s) taken by management.

(b) 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 kept with the minutes of the board of directors.

25. (a) within 30 days from the effective date of this ORDER the Bank shall have and maintain a ratio of Tier 1 capital as a percentage of its total assets (“capital ratio”) of 7%. For purposes of this ORDER, Tier 1 capital and total assets shall be calculated in accordance with Part 325 of the FDIC Rules and Regulations (“Part 325”), 12 C.F.R. Part 325.

(b) Any such increase in Tier 1 capital may be accomplished by the following:

i. The sale of common stock and noncumulative perpetual preferred stock constituting Tier 1 capital under Part 325; or

ii. The elimination of all or part of the assets classified “Loss” and “one-half of Doubtful” listed in the Report of Examination without loss or liability to the Bank, provided any such collection on a partially charged-off asset shall first be applied to that portion of the asset which was not charged-off pursuant to this ORDER; or

iii. The collection in cash of assets previously charged-off; or

iv. The direct contribution of cash by the directors and/or the shareholders of the Bank; or

v. Any other means acceptable to the Regional Director and the Executive Director.

vi. Any combination of the above means.

(c) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities, the board of directors of the Bank shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than 20 days prior to the dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the Kentucky Office of Financial Institutions, 1025

Capital Center Drive, Suite 200, Frankfort, Kentucky 40601, for their review. Any changes requested to be made in the materials by the FDIC or KOFI shall be made prior to their dissemination.

(d) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within 10 calendar days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

(e) The level of Tier 1 capital to be maintained during the life of this ORDER pursuant to subparagraph 25(a) shall be in addition to a fully funded allowance for loan and lease losses ("ALLL"), the ALLL shall be satisfactory to the Regional Director and Executive Director.

26. As of the effective date of this ORDER, the Bank shall pay no cash dividends, without the prior written consent of the Regional Director and Executive Director.

27. (a) Within 30 days from the effective date of this ORDER, the Bank's board of directors shall have in place a program that

includes a person or committee responsible for establishing procedures to monitor and comply with this ORDER.

(b) Following the required date of compliance with subparagraph (a) of this paragraph, the Bank’s board of directors shall review the Bank’s compliance with this ORDER and record its review in the minutes of each regularly scheduled board of directors’ meeting.

28. Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and Executive Director written progress reports signed by each member of the Bank’s board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and Executive Director have, in writing, release the Bank from making further reports.

The effective date of this ORDER shall be 10 calendar days after its issuance by the FDIC and KOFI.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and KOFI.

Pursuant to delegated authority.

Dated: February 5, 2008.

Sylvia H. Plunkett	Cordell Lawrence
Regional Director	Executive Director
Chicago Regional Office	Office of Financial Institutions
Federal Deposit Insurance Corporation	Commonwealth of Kentucky