

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

AND

STATE OF OHIO
DEPARTMENT OF COMMERCE
DIVISION OF FINANCIAL INSTITUTIONS

_____	)	
In the Matter of	)	
	)	
THE HICKSVILLE BANK	)	
HICKSVILLE, OHIO	)	ORDER TO CEASE AND DESIST
	)	
(INSURED STATE NONMEMBER BANK))	)	FDIC-09-045b
_____	)	

The Hicksville Bank, Hicksville, Ohio ("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 sections 1121.32 and 1121.38 of the Ohio Revised Code, Ohio Rev. Code. Ann. §§ 1121.32 and 1121.38 (Anderson) regarding hearings before the Division of Financial Institutions for the State of Ohio ("Division"), 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 the Division, dated May 26, 2009, 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 the Division.

The FDIC and the Division 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 the Division, therefore, accepted the CONSENT AGREEMENT and issued the following:

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), regulated persons, as that term is defined in Ohio Revised Code section 1121.01, 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 management policies and practices that are detrimental to the Bank and jeopardize the safety of its deposits.

- B. Operating without adequate board of directors supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices and violations of law, rule or regulation.
- C. Operating with an excessive level of adversely classified assets, delinquent loans, nonaccrual loans, and other real estate owned.
- D. Operating with an inadequate allowance for loan and lease losses ("ALLL") for the volume, kind, and quality of loans and leases held.
- E. Engaging in hazardous lending and lax collection practices.
- F. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- G. Operating with excessive loan losses resulting in low or unsustainable earnings.
- H. Operating with inadequate funds management procedures.

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

1. (a) Within 90 days from the effective date of this ORDER, the Bank shall have completed a written analysis and assessment of the Bank's management and staffing needs and developed a plan to have and retain qualified management with proven ability in managing a bank of comparable size and complexity ("Management Plan"). Within 30 days from the effective date of this ORDER, the board of directors ("Board") shall engage an experienced independent advisor to provide assistance in conducting the analysis and assessment, and development of the Management Plan.

(b) The Management Plan 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 committee(s) comprised of Bank directors ("board 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; and

- (iv) A plan to reorganize and/or train existing personnel and/or recruit and hire any additional or replacement personnel so that the Bank will have management and staff with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified by the analysis and assessment required by this paragraph of the ORDER.

(c) The Management Plan shall be submitted to the Regional Director and the Division for review and comment upon its completion. Within 30 days of receipt of any comments from the Regional Director and the Division and after adoption of any recommended changes, the Bank shall approve the Management Plan, and record its approval in the minutes of the meeting of the Board. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan.

(d) During the life of this ORDER, prior to the addition of any individual to the Board or the employment of any individual as a senior executive officer, the Bank shall request and obtain the Division's written approval. For purposes of this ORDER, "senior executive officer" is defined as in section 32 of the Act ("section 32"), 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

2. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt and implement a written plan to reduce the Bank's risk position in each asset in excess of \$100,000 that is classified "Substandard" or "Doubtful" in the Report of Examination dated as of October 27, 2008 ("Report").

(b) In developing the 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.

(c) The plan shall include, but not be limited to, dollar levels to which the Bank shall reduce each asset within six months and twelve months from the effective date of this ORDER. As used in this paragraph, "reduce" means to: (1) collect; (2) charge off; (3) improve the quality of such assets so as to warrant removal of any adverse classification by the FDIC or the Division; (4) repossess and sell collateral and apply proceeds to the loan; or (5) obtain third-party financing.

(d) The plan shall provide for the submission of monthly written progress reports to the Board for review and notation in minutes of the meetings of the Board.

(e) The plan required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within 30 days of receipt of any comments from the Regional Director or the Division the Bank shall incorporate any changes required by the Regional Director or the Division and thereafter adopt, implement, and adhere to the plan.

3. (a) Within 90 days from the effective date of this ORDER the Bank shall:

- (i) Develop and implement an effective methodology to determine the adequacy of the Bank's ALLL;

- (ii) Obtain current valuations of collateral securing impaired loans; [As defined in Financial Accounting Standards Board Statement 114, "Accounting by Creditors for Impairment of a Loan" ("FAS 114"), a loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement (FAS 114 paragraphs 8-10).]
- (iii) Take all corrective action necessary, as detailed in the Report, to improve the methodology for measuring the impairment of a loan;
- (iii) Evaluate each impaired loan pursuant to the improved methodology and provide sufficient funds to its allowance for loan and lease losses to return the ALLL to an adequate level.

(b) Quarterly, the Board shall review the adequacy of the Bank's ALLL and make all entries required prior to making any Tier 1 capital determinations required by this ORDER and to the submission or publication of all Reports of Condition and Income required by the FDIC and the Division. The minutes of the Board meeting at which such review is undertaken shall indicate the findings of the review, the amount of increase in the ALLL recommended, if any, and the basis for determination of the amount of ALLL provided. In making these determinations, the Board shall consider the FFIEC Instructions for the Reports of Condition and Income and any analysis of the Bank's ALLL provided by the FDIC or the Division.

(c) While this ORDER is in effect, the Bank shall submit the analysis supporting the determination of the adequacy of the Bank's ALLL to the Regional Director and the Division. These submissions may be made a part of the written progress reports required in this ORDER.

4. (a) Within 60 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) Analysis of the repayment capacity of the borrower;
- (ii) Identification, or grouping, of loans that warrant the special attention of management;
- (iii) 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;
- (iv) The creation of a mechanism for reporting, no less than quarterly, to the Board 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.

5. (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" by the FDIC, the Division, or the Bank's internal loan grading system, 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 in the Report, or whose loan is classified in any subsequent examination of the Bank by the FDIC or the Division, or the Bank's internal loan grading system, so long as such loan or other extension of credit remains classified or uncollected, either in whole or in part, unless, prior to the extension of credit, the Board has adopted 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 into the minutes of the applicable meeting of the Board.

6. (a) Within 180 days from the effective date of this ORDER, the Bank shall have and maintain its level of Tier 1 capital as a percentage of its total assets ("capital ratio") at a minimum of eight percent (8%). 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) If all or part of the increase in capital required by this paragraph is to be accomplished by the sale of new securities by the Bank, the Board 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 Division of Financial Institutions, 77 South High Street, Columbus, Ohio 43215-6120 for their review. Any changes requested to be made in the materials by the FDIC or the Division shall be made prior to their dissemination.

(c) 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.

7. Within 30 days from the effective date of this ORDER, the Bank shall establish accounting policies and

procedures for troubled debt restructuring consistent with the guidance of FAS 15 and FAS 114.

8. Within 90 days from the effective date of this ORDER, the Bank shall formulate and adopt a realistic, comprehensive strategic plan for the calendar years of 2009, 2010, and 2011, including a written profit plan and budget acceptable to the Regional Director and the Division.

(a) The strategic plan required by this paragraph shall contain provisions that address the requirements of this ORDER and, at a minimum, include:

- (i) An assessment of the Bank's current financial condition and market area;
- (ii) Strategies for attaining and maintaining satisfactory asset quality, earnings, capital, and liquidity; and
- (iii) A written profit plan including, at a minimum:
 - (A) Formal goals and strategies to improve overall earnings consistent with sound banking practices;

(B) Realistic and comprehensive budgets, and a description of the operating assumptions that form the basis and support for major projected income and expense components.

(b) Within 30 days from the end of each calendar quarter following the effective date of this ORDER, the Board shall evaluate the Bank's actual performance in relation to the strategic plan, including income and expenses in comparison to budgetary projections. The results of the evaluation, and any actions taken by the Bank, shall be recorded in the minutes of the Board's meeting at which such evaluation is undertaken.

(c) For each calendar year for which this ORDER is in effect, the Bank shall revise the three year strategic plan and submit the proposed revised strategic plan to the Regional Director and the Division for review and comment not less than 30 days before the end of the preceding calendar year. Within 30 days of receipt of all such comments from the Regional Director and the Division, and after adoption of any recommended changes, the Bank shall approve the profit plan, which approval shall be recorded in the minutes of the meeting of the Board.

Thereafter, the Bank shall implement and follow the revised profit plan.

9. (a) Within 90 days from the effective date of this ORDER, the Bank shall develop, adopt and implement written plans addressing liquidity and interest rate risk management. Quarterly thereafter during the life of this ORDER, the Bank shall review these plans for adequacy and, based upon such review, shall make appropriate revisions to these plans.

(b) The plans required by this paragraph shall be submitted to the Regional Director and the Division for review and comment. Within 30 days of receipt of any comments from the Regional Director or the Division the Bank shall incorporate any changes required by the Regional Director or the Division and thereafter adopt, implement, and adhere to the plans.

10. As of the effective date of this ORDER and on a weekly basis, the Bank shall electronically submit to the Regional Director and the Division a liquidity status report in a format approved by the Regional Director and the Division.

11. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise, adopt and implement its written audit policy to include comprehensive internal and

external audit programs, as well as procedures for the operation of the audit committee.

- (i) The internal audit program shall provide that the internal auditor make written monthly reports of audit findings directly to the audit committee.
- (ii) The external audit program shall comply with the Interagency Policy Statement on External Auditing Programs of Banks and Savings Associations (October 15, 1999). The Bank shall provide the Regional Director and the Division 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 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's meeting with each individual member's vote recorded.

(iii) The audit committee procedure shall include:

(A) The frequency of committee meetings, which shall be monthly while this ORDER is in effect;

(B) The requirement the audit committee in its minutes record its reviews, findings, and any action taken as a result of the findings or the reasons for not taking action on a particular audit finding, with each individual member's vote recorded;

(C) The committee's responsibility for reporting to the Board, which shall be at each meeting of the Board while this ORDER is in effect;

(D) The committee's responsibilities, selection of an audit firm, engagement letters, risk

- assessments, the internal audit plan, internal audits, annual external audit, and quarterly and annual financial statements;
- (E) The committee's responsibility for formal responses to audit reports, including timeframes for submission of responses;
- (F) Procedures for resolving differences between auditors and management;
- (G) The committee's mechanism for tracking audit and examination exceptions and their resolution that identifies unresolved issues, the individual(s) responsible for correcting each issue, the date by which the correction is requested, and the final resolution of each issue;
- (H) A requirement that the Board review the minutes of the audit committee and document these

reviews in the Board's minutes;
and

(I) A requirement that the Board
annually review, and revise if
appropriate, the audit policy.

(b) The internal and external audit programs and the procedures for the operation of the audit committee developed by the Bank shall be submitted to the Regional Director and the Division for review and comment. Within 30 days of receipt of any comments from the Regional Director or the Division the Bank shall incorporate any changes required by the Regional Director or the Division and thereafter adopt, implement, and adhere to the programs and procedures.

12. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Division.

13. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe

this ORDER in all material respects. The description and any accompanying communication, notice or statement shall be sent to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 and to the Division of Financial Institutions, 77 South High Street, Columbus, Ohio 43215-6120 for review at least 20 days prior to dissemination to shareholders. Any changes requested to be made by the FDIC or the Division shall be made prior to dissemination of the description, communication, notice or statement.

14. (a) 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 the Division written progress reports signed by each member of the Bank's Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

(b) Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Division have, in writing, released the Bank from making further reports.

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

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, regulated persons 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 the Division.

Pursuant to delegated authority.

Dated: June 10, 2009.

_____/s/_____
M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

/s/_____
John B. Reardon
Superintendent of Financial
Institutions

and

/s/
Kenneth N. Koher
Deputy Superintendent for
Banks
Division of Financial
Institutions
State of Ohio