

FEDERAL DEPOSIT INSURANCE CORPORATION  
WASHINGTON, D.C.  
AND  
STATE OF OHIO  
DIVISION OF FINANCIAL INSTITUTIONS

---

In the Matter of	)	
	)	
HICKSVILLE BUILDING, LOAN AND	)	
SAVINGS BANK	)	ORDER TO CEASE AND DESIST
HICKSVILLE, OHIO	)	
	)	FDIC-07-032b
Mutual Insured State Bank	)	
	)	

---

Hicksville Building, Loan and Savings 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 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 1163.03 of the Ohio Revised Code, 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 of Financial Institutions ("DFI"), dated March 2, 2007, whereby, solely for the purpose of this proceeding and without admitting or denying the charges of unsafe or unsound banking practices, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and DFI.

The FDIC and DFI considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices. The FDIC and DFI, 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:

- A. Engaging in hazardous lending and lax collection Practices.
- B. Operating with an inadequate level of capital protection for the kind and quality of assets held.
- C. Operating with an excessive level of delinquent and nonaccrual loans.
- D. Operating with an inadequate loan policy.
- E. Operating under management policies and practices that are detrimental to the Bank and jeopardize the safety and soundness of the bank.
- F. Operating without the board of directors providing adequate supervision over and direction to the management of the Bank to prevent unsafe or unsound banking practices.

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

CAPITAL

1. (a) Within 60 days from the effective date of this ORDER, the Bank shall develop and submit to the Regional Director of the Chicago Regional Office of the FDIC ("Regional Director") and DFI a plan to increase its level of Tier 1 capital as a percentage of its total assets ("capital ratio") to 7.5 percent. 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) Within 10 days after the Regional Director and the DFI approve the plan, the Bank shall adopt and implement it. Thereafter, the Bank shall immediately initiate measures detailed in the plan (unless such measures have already been initiated) to increase the Bank's Tier 1 capital by an amount sufficient to bring the leverage ratio to 7.5 percent.

(c) Within 30 days from the last day of each calendar quarter after the plan is implemented, the Bank shall determine from its Report of Condition and Income its capital ratio for that calendar quarter. If the capital ratio is less than 7.5 percent as contained in the approved plan, the Bank shall, within 15 days of the date of the required determination advise the Regional Director and DFI of such deviation, after

which the Regional Director and the DFI will determine whether to require the bank to submit a revised plan, as described in paragraph 1(a).

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

- (i) The collection in cash of assets previously charged off; or
- (ii) direct contribution of cash to capital by the directors of the Bank; or
- (iii) Any other means acceptable to the Regional Director and the DFI; or
- (iv) Any combination of the above means.

(e) The capital ratio analysis required by this paragraph shall not negate the responsibility of the Bank and its board of directors for maintaining throughout the year an adequate level of capital protection for the kind, quality and degree of market depreciation of assets held by the Bank.

#### MANAGEMENT

2. (a) Within 30 days from the effective date of this ORDER, the Bank shall retain a bank consultant acceptable to the Regional Director and DFI. The consultant shall develop a written analysis and assessment of the Bank's, management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank.

(b) The Bank shall provide the Regional Director and DFI with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. 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 Plan shall be developed within 60 days from the date that a consultant was found acceptable by the Regional Director and the DFI. 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) Evaluation of the directorate regarding their oversight of active management;
- (iii) Identification and establishment of such bank committees as are needed to provide guidance and oversight to active management including a determination as to whether any such committee is a board committee or management committee;
- (iv) Evaluation of all Bank officers and staff members 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; and
- (v) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member

positions identified by this paragraph of this ORDER.

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

(e) During the life of this ORDER, the Bank shall notify the Regional Director and the DFI in writing of any changes in any of the Bank's management. For purposes of this ORDER, "management" is defined as members of the board of directors and "senior executive officers," as that term is defined in section 32 of the Act ("section 32"), 12 U.S.C. §1831(i), and section 303.14 of the FDIC Rules and Regulations ("section 303.14"), 12 C.F.R. §303.14. 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 section 303.14 and provide identical information to the DFI for review and action.

ADDITION OF MEMBERS TO THE BOARD OF DIRECTORS

3. Within 90 days from the effective date of this ORDER, the Bank shall add to its board of directors two new members who are independent directors, subject to the approval of the Regional Director and the DFI pursuant to 2(e). For purposes of this ORDER, a person who is an independent director shall be any individual: (a) who is not an officer of the Bank ; (b) who does not control more than 5 percent of the voting power of the Bank; (c) who is not related by blood or marriage to an officer or director of the Bank or to a member controlling more than 5 percent of the Bank's voting power, and who does not otherwise share a common financial interest with such officer, director or member; and (d) who is not indebted to the Bank directly or indirectly by blood, marriage or common financial interest, including the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 capital and allowance for loan and lease losses; or (e) who is deemed to be an independent director for purposes of this ORDER by the Regional Director and DFI. 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 articles of incorporation and the constitution, by means of appointment or election at a regular or special meeting of the Bank's members.



ALLOWANCE FOR LOAN AND LEASE LOSSES

4. (a) Prior to submission or publication of all Reports of Condition and Income required by the FDIC and DFI after the effective date of this ORDER, the board of directors of the Bank shall review the adequacy of the Bank's ALLL, provide for an adequate ALLL, and accurately report the same. 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 of directors 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 DFI.

(b) ALLL entries required by this paragraph shall be made prior to any Tier 1 capital determinations required by this ORDER.

ASSET IMPROVEMENT PLAN AND REPORTING

5. (a) Within 30 days from the effective date of this ORDER, the Bank shall formulate, adopt and submit to the DFI and the Regional Director for review and comment a written plan of action designed to improve the Bank's position on each loan relationship equal to or greater than \$100,000 that was past due as to principal or interest in excess of 90 days as of the date of examination or that was adversely classified in the Joint Report of Examination dated May 8, 2006 ("Joint Report") or at

the Joint Visitation dated November 13, 2006 ("Joint Visitation"), through amortization, repayment, liquidation, additional collateral, or other means. Such plan shall include provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in the board of director's minutes.

(b) Quarterly progress reports on the classified, and past due assets identified in paragraph (a) hereof shall be provided to the Regional Director and the DFI within 30 days of each calendar quarter-end, after the approval of the written plan of action. Such reports shall include, at a minimum: (i) the carrying values of such assets; (ii) the nature and value of supporting collateral; (iii) plans for improvement, reduction, or elimination of the asset; (iv) specific target levels and timetables for achievement; (v) the source of funds for changes in status of the assets; and, (vi) a copy of the Bank's most recent internal watch list.

#### RESIDENTIAL RENTAL PORTFOLIO TRACKING

6. Within 60 days from the effective date of this ORDER, the Bank shall develop a report to identify and track the bank's progress in lessening the risk position of all Fort Wayne, Indiana, residential rental real estate loans. The report shall include at a minimum:

- (a) the original amount and date of each credit,
- (b) outstanding balance as of March 31, 2006,
- (c) current outstanding balance,

- (d) date and amount of the original appraisal,
- (e) date and amount of any new appraisal,
- (f) delinquency status,
- (g) occupancy and the amount of monthly rents,
- (h) date and amount of any charge-offs,
- (i) the nature of any capitalized amounts, and
- (j) the status of any legal action.

The report shall be updated no less than monthly.

#### SPECIAL MENTION

7. Within 60 days from the effective date of this ORDER, the Bank shall correct all deficiencies in the loans listed for "Special Mention" in the Joint Report and at the Joint Visitation.

#### TECHNICAL EXCEPTIONS

8. Within 60 days from the effective date of this ORDER, the Bank shall correct the technical exceptions listed in the Joint Report.

#### REDUCTION OF DELINQUENCIES

9. Within 30 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and DFI for review and comment 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) delineate areas of responsibility for the collection of delinquent credits;

(c) establish acceptable guidelines for the collection of delinquent credits;

(d) establish dollar levels to which the Bank shall reduce delinquencies within three and six months from the effective date of this ORDER; and

(e) 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. As used in this paragraph, "reduce" means the borrower has paid the loan current or paid off the loan, or the bank has eliminated the loan through liquidation or charge-off, or any combination of the above.

(f) Within 30 days from receipt of any comment from the Regional Director and DFI, and after the adoption of any recommended changes, the Bank shall approve the plan, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the plan.

#### LOAN POLICY

10. (a) Within 60 days from the effective date of this ORDER, the Bank shall revise its written lending policy

consistent with the comments and recommendations in the Joint Report and Joint Visitation. The revised policy shall be submitted to the Regional Director and the DFI for review and comment.

(b) Within 30 days from the receipt of any comments from the Regional Director and DFI, and after the adoption of any recommended changes, the board of directors shall approve the written loan policy and any subsequent modification thereto, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the amended written loan policy.

#### LOAN ADMINISTRATION

11. Within 60 days from the effective date of this ORDER, the Bank shall take all steps necessary to address the loan administration deficiencies described in the Joint Report or at the Joint Visitation, including, at a minimum:

- (a) adhering to sound underwriting standards;
- (b) maintaining and properly analyzing financial data to determine a borrower's ability to repay for each new loan or renewal, including the utilization of global cash flow analysis;
- (c) obtaining appropriate types of financial statements relative to the size and nature of a borrower and credit;

- (d) utilizing loan presentations for each new loan or renewal;
- (e) completing loan application in its entirety;
- (f) ensuring compliance with loan policy guidelines and reporting exceptions to policy to the board;
- (g) developing cash out financing limitations;
- (h) developing effective real estate appraisal compliance review procedures consistent with Interagency Appraisal and Evaluation Guidelines and Part 323 of FDIC Rules and Regs;
- (i) maintaining proper file documentation, including memorandums by loan officers and other analysts; and completing accurate collateral valuations, particularly as this relates to account receivables, inventory and equipment.

#### STRATEGIC PLAN

12. (a) Within 90 days from the effective date of this ORDER, the Bank shall formulate a realistic, comprehensive strategic plan. The plan required by this paragraph shall contain an assessment of the Bank's current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written strategic plan shall address, at a minimum:

- (i) The bank's mission statement;
- (ii) Economic issues of the industry and the market areas served;
- (iii) Internal strengths and weaknesses;
- (iv) Strategies;
- (v) Succession of management;
- (vi) Staffing needs at the management level;
- (vii) Staff training;
- (viii) A written profit plan that includes formal goals and strategies, consistent with sound banking practices, to improve the Bank's overall earnings;
- (ix) A realistic and comprehensive budget for all categories of income and expense for calendar years 2007 and 2008;
- (x) Financial goals, including, but not limited to target ranges for asset growth, capital adequacy, and earnings performance; and
- (xi) Identification of any new lines of business and new types of lending, as well as the Bank's expertise in these areas.
- (xii) The strategic plan shall include the development of detailed pro forma balance sheets. Key operating ratios such as Return on Average Assets, Return on Equity, and Net

Interest Margin shall be forecast.

(c) The strategic plan shall be submitted to the Regional Director and DFI for review and comment. Within 30 days from the receipt of any comment from the Regional Director or DFI and after the consideration of such comments, the Bank shall approve the strategic plan or any subsequent modifications, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the strategic plan.

(d) Within 30 days of the end of each calendar quarter following the approval of a strategic plan by the Regional Director and the DFI, the Bank's board of directors shall:

- (i) Evaluate the Bank's actual performance in relation to the strategic plan, profit plan, and budget;
- (ii) Revise the strategic plan to reflect the results of the evaluation; and
- (iii) Record the results of the evaluation and revisions to the strategic plan, profit plan, or budget in the minutes of the board of directors' meeting after which such evaluation and revision are completed.



(e) Within 30 days after the quarterly evaluation, the Bank shall submit the revised strategic plan including any revisions to the profit plan and budget to the Regional Director and DFI for review and comment. Within 30 days of receipt of all such comments from the Regional Director or the DFI, and after consideration of all such comments, the Bank shall approve the revised strategic plan, profit plan, or budget, which approval shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the revised strategic plan.

#### LIQUIDITY MANAGEMENT

13. (a) Within 60 days from the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and DFI for review and comment a liquidity management policy. The policy shall contain strategies and procedures for managing both sources and uses of funds, appropriate liquidity risk measurement systems, and comprehensive liquidity contingency funding plans that span a broad range of potential liquidity events.

(b) Within 30 days from the receipt of any comments From the Regional Director and the DFI, the board of directors shall approve the written liquidity management policy and any subsequent modifications thereto, which approval shall be

recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement and follow the amended written liquidity management policy.

#### INFORMATION TECHNOLOGY

14. Within 30 days from the effective date of this ORDER, the Bank's board of directors shall revise the IT audit program in preparation for the 2007 audit cycle. This revision shall ensure that the audit program adequately tests the key controls documented in the bank's risk assessment and IT policy documents and, at a minimum, provides for an annual review of high-risk activities.

#### COMPLIANCE WITH ORDER

15. Within 15 days from the effective date of this ORDER, the Bank shall establish a compliance committee comprised of at least three directors who are not officers of the Bank. The committee shall monitor compliance with this ORDER and, within 45 days from the effective date of this ORDER and every 30 days thereafter, shall submit to the board of directors for consideration at its regularly scheduled meeting a written report detailing the Bank's compliance with this ORDER. The compliance report shall be incorporated into the minutes of the board of directors' meeting. Establishment of this committee does not in any way diminish the responsibility of the entire board of directors to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

16. Within 15 days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and DFI 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 DFI have, in writing, released the Bank from making further reports. The Bank's board of directors shall review all reports prior to submission and note their considerations in the minutes.

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

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 DFI.

Pursuant to delegated authority.

Dated: March 12th, 2007

By DFI:

---

Sylvia H. Plunkett  
Regional Director  
Chicago Regional Office  
Federal Deposit Insurance  
Corporation

---

John Reardon  
Superintendent  
Division of Financial  
Institutions  
State of Ohio

---

Michael O. Roark  
Deputy Superintendent  
Division of Financial  
Institutions  
State of Ohio