

UNITED STATES OF AMERICA

BEFORE

THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D.C.

Written Agreement by and between)
)
CITIZENS DEPOSIT BANK AND TRUST) Docket No. 00-016-WA/RB-SM
COMPANY)
Vanceburg, Kentucky)
)
and)
)
FEDERAL RESERVE BANK)
OF CLEVELAND)
Cleveland, Ohio)
_____)

WHEREAS, in recognition of their common goal to restore and maintain the financial soundness of the Citizens Deposit Bank and Trust Company, Vanceburg, Kentucky (the "Bank"), a State chartered bank which is a member of the Federal Reserve System, the Bank and the Federal Reserve Bank of Cleveland (the "Reserve Bank") have mutually agreed to enter into this Written Agreement (the "Agreement"); and

WHEREAS, on September 29, 2000, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution:

(1) authorizing and directing Benjamin T. Pugh to enter into this Agreement on behalf of the Bank and consenting to compliance with each and every provision of this Agreement by the Bank and its institution-affiliated parties, as defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u)); and

(2) waiving any and all rights that the Bank may have pursuant to section 8 of the FDI Act (12 U.S.C. 1818): to a hearing for the purpose of taking evidence on any matters set forth in this Agreement; to judicial review of this Agreement; and to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Agreement or any provisions hereof.

NOW, THEREFORE, without this Agreement constituting an admission of any allegation made or implied by the Board of Governors of the Federal Reserve System (the "Board of Governors") or the Reserve Bank, the Bank and the Reserve Bank agree as follows:

1. (a) Within 30 days of this Agreement, the Bank shall retain an independent consultant acceptable to the Reserve Bank to conduct a complete management review of the operating policies and personnel of the Bank (the "Review") and to prepare a written report of findings and recommendations to the Bank's board of directors. The terms of the contract with the consultant shall require that the Review shall be completed within 90 days of the retention of the independent consultant and that a written report of findings and recommendations be

submitted to the Bank's board of directors within 10 days of the completion of the Review. The primary purpose of the Review shall be to aid in the development of a management structure suitable to the Bank's needs that is adequately staffed by qualified and trained personnel. The Review shall include, at a minimum, the following:

(i) a determination of management's ability to: (A) comply with the requirements of this Agreement and all applicable laws and regulations; and (B) restore and maintain all aspects of the Bank to a safe and sound condition;

(ii) an identification of the type, number and enumeration of officer positions needed to manage and supervise the affairs of the Bank properly;

(iii) an identification and establishment of the Bank's board of directors committees that are needed to provide guidance and oversight to management;

(iv) an evaluation of each officer and staff member 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 policies and procedures and maintenance of the Bank in a safe and sound condition and an assessment of whether these individuals are compensated commensurate with their duties and their abilities to perform those duties competently; and

(v) a plan of action to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications that are necessary to fill officer and staff member positions.

(b) The Bank shall forward a copy of the consultant's written report of the findings and recommendations required by paragraph 1(a) hereof to the Reserve Bank within 10 days of its receipt.

(c) Within 60 days after the Bank's receipt of the consultant's written report of findings and recommendations required by paragraph 1(a) hereof, the Bank shall submit a written management plan to the Reserve Bank describing specific actions that the board of directors proposes to take in order to strengthen Bank management and to improve the board of directors' supervision over the Bank's officers. The management plan shall fully address the written report of findings and recommendations required by paragraph 1(a) hereof.

(d) During the term of this Agreement, or as otherwise required by law, the Bank shall comply with the provisions of section 32 of the FDI Act (12 U.S.C. 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. Part 225, Subpart H) with respect to the appointment of any new directors or the hiring or promotion of any senior executive officers as defined in Regulation O of the Board of Governors (12 C.F.R. Part 215).

2. Within 180 days of this Agreement, the Bank shall submit to the Reserve Bank a written plan providing for orderly management succession. The plan shall, at a minimum, identify the individual(s) at the Bank who are considered to have the potential for advancement or promotion, the area(s) in which such individual(s) may assume new duties or responsibilities

or the position(s) to which they may be promoted, and the training to be provided such individual(s) to ensure adequate successor management.

3. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral or other means on each loan or asset in excess of \$100,000 that was past due as to principal or interest in excess of 90 days as of the date of this Agreement or that was adversely classified or listed as special mention by Reserve Bank examiners in the Bank's most recent report of examination, dated March 31, 2000 ("Report of Examination"). The plan for each loan shall not be amended or rescinded without the prior written approval of the Reserve Bank. The Bank shall submit a plan for each additional loan or other asset in excess of \$100,000 that becomes past due as to principal and interest for more than 90 days, is adversely classified internally by the Bank, or is adversely classified or listed for special mention in any subsequent report of examination or visitation of the Bank by the Reserve Bank. The plan for each loan shall be formally approved by the Bank's loan committee and shall include:

- (i) a description of the current status of the loan;
- (ii) contemplated actions to be taken, the time frame for such actions, and the projected status of the loan after the actions have been taken, including the balance owed and valuation of anticipated collateral; and
- (iii) the borrower's acknowledgement of and response to the plan.

(b) Amended plans based on loans or other assets that are classified or listed for special mention or overdue in subsequent examinations or visitations by the Reserve Bank shall be submitted to the Reserve Bank with the next progress report, as required by paragraph 12 hereof, following each subsequent examination or visitation.

(c) Quarterly progress reports on classified and past due assets in excess of \$100,000 required by paragraphs 3(b) and 12 hereof shall include, at a minimum: (i) the carrying values of such assets (book and nonbook) as of the date of the plan; (ii) the nature and value of supporting collateral; (iii) plans for improvement, reduction, or elimination of the asset; (iv) source of funds for changes in status of the assets; (v) specific target levels and timetables for achievement; and (vi) a copy of the Bank's most current internal watch list.

4. Within 30 days of this Agreement, the Bank shall take all steps necessary to correct all documentation and credit information deficiencies and loan policy exceptions listed in the Report of Examination.

5. Within 30 days of this Agreement, the Bank shall achieve and, thereafter, continue to maintain, through charges to current operating income, an adequate valuation reserve for loan losses. The adequacy of the reserve shall be determined in light of the volume of criticized loans, the current level of past due and nonperforming loans, past loan loss experience, evaluation of the probable losses in the Bank's loan portfolio, including the potential for the

existence of unidentified losses in loans adversely classified and the imprecision of loss estimates, and the requirements of the Interagency Policy Statement on the Allowance for Loan and Lease Losses, dated December 22, 1993, SFAS 114, SFAS 5, and examiners' other criticisms as contained in the Report of Examination. A written record shall be maintained indicating the methodology used in determining the amount of the reserve needed to cover total loans and documentation shall be maintained to support the methodology. This record shall be submitted to the Reserve Bank within 60 days of this Agreement. Thereafter, the Bank shall conduct, at a minimum, a quarterly assessment of its loan loss reserve and its nonperforming loans and shall submit documentation of each quarterly assessment to the Reserve Bank within 30 days of the end of each quarter.

6. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank a written plan to implement adequate board oversight programs. The plan shall address, at a minimum, the programs that the board of directors intends to implement in order to establish and maintain effective control over and supervision of the organization's senior management and the major operations and activities of the Bank. The plan shall address deficiencies noted in the Report of Examination, including, at a minimum:

(a) The Bank's risk management and identification systems, including credit risk identification and loan grading systems;

(b) an independent and effective internal audit function;

(c) the development and maintenance of adequate training programs for the board of directors, management and staff; and

(d) the Bank's compliance programs.

7. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank acceptable written procedures designed to strengthen and maintain the Bank's records and internal controls. These procedures shall include, without limitation, corrective steps that: (i) are responsive to the internal control deficiencies noted in the Report of Examination; and (ii) ensure the accurate preparation of, and inclusion of supporting schedules in, the Bank's Report of Condition and Income.

(b) The Bank shall take such actions as are necessary to ensure that all reports submitted or published by the Bank, including Reports of Condition and Income, accurately reflect the condition of the Bank, and that all records indicating how such reports are prepared are adequately maintained for subsequent supervisory review.

8. The Bank shall immediately take all necessary steps consistent with sound banking practices to eliminate and/or correct all violations of laws and regulations set forth in the

Report of Examination. In addition, the board shall take necessary steps to ensure future compliance with applicable laws and regulations.

9. The Bank shall establish a board committee to monitor the Bank's compliance with the provisions of this Agreement, and the Bank's written policies and procedures (the "Compliance Committee"). The Compliance Committee shall be comprised of three or more outside directors who are not executive officers (as defined in Section 215.2(e)(1) of Regulation O of the Board of Governors (12 C.F.R. Section 215.2(3)) of the Bank. At a minimum, the Compliance Committee shall keep detailed minutes of each of its meeting, and shall report its findings to the board of directors on a monthly basis.

10. The Bank shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date and shall contain, but not be limited to, current and projected information on earnings, cash flow, capital levels and asset quality of the Bank.

11. Acceptable plans and procedures required by paragraphs 3(a) and 7(a) hereof shall be submitted to the Reserve Bank for review within the required time periods set forth in this Agreement. The Bank shall adopt the plans and procedures within 10 days of receipt of

comments from the Reserve Bank and then shall fully comply with them. During the term of this Agreement, the plans and procedures shall not be amended or rescinded without the prior written notification to the Reserve Bank.

12. Within 30 days after the end of each calendar quarter (September 30, December 31, March 31 and June 30) following the date of this Agreement, the Bank shall furnish to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof. Such reports may be discontinued when the corrections required by this Agreement have been accomplished and the Reserve Bank has, in writing, released the Bank from making further reports.

13. All communications regarding this Agreement shall be sent to:

- (a) R. Chris Moore
Senior Vice President
Federal Reserve Bank of Cleveland
East 6th & Superior
Cleveland, Ohio 44101-1387
- (b) Benjamin T. Pugh
President and Chief Executive Officer
Citizens Deposit Bank and Trust
400 Second Street
Vanceburg, Kentucky 41179-0009

14. The provisions of this Agreement shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

15. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated or suspended by the Reserve Bank.

16. Notwithstanding any provision of this Agreement to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Agreement.

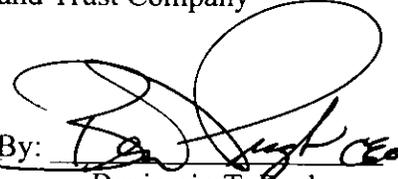
17. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors, the Reserve Bank or any federal or state agency or department from taking any other action affecting the Bank or any of its current or former institution-affiliated parties.

18. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act (12 U.S.C. 1818).

IN WITNESS HEREOF, the parties have caused this Agreement to be executed as of the

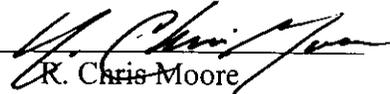
29th day of September, 2000.

Citizens Deposit Bank and
and Trust Company

By: 

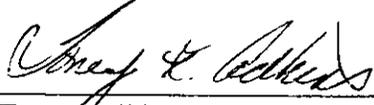
Benjamin T. Pugh
President and
Chief Executive Officer

Federal Reserve Bank
of Cleveland

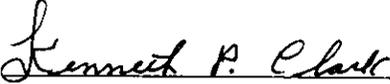
By: 

R. Chris Moore
Senior Vice President

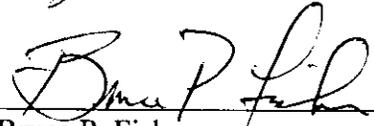
Each of the undersigned directors of the Bank acknowledges having read the foregoing Agreement and approves of the consent thereto by the Bank.



Toney Adkins



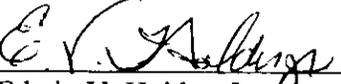
Kenneth P. Clark



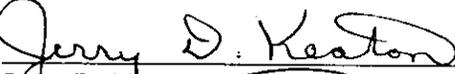
Bruce P. Fisher



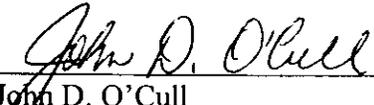
Gardner E. Daniel



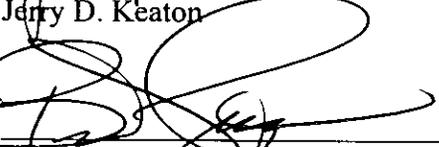
Edwin V. Holder, Jr.



Jerry D. Keaton



John D. O'Cull



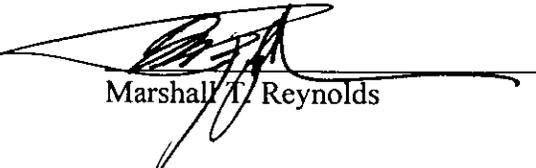
Benjamin T. Pugh



Ken Redfern



Jack M. Reynolds



Marshall T. Reynolds