

**COMMONWEALTH OF KENTUCKY
DEPARTMENT OF FINANCIAL INSTITUTIONS
NOTICE OF THE COMMISSIONER**

WHEREAS, Louisa Community Bank, Inc. (“Bank”) is a state-chartered Kentucky institution subject to the jurisdiction and oversight of the Commissioner of the Kentucky Department of Financial Institutions (“Commissioner”) pursuant to KRS 286.1-011(1)(2), KRS 286.3-220, and KRS 286.3-854; and

WHEREAS, KRS 286.3-854(1) authorizes the Commissioner to take possession and close a bank for purposes of liquidation in any case where the Commissioner finds that the bank:

- (a) Is insolvent;
- (b) Has permitted capital to become impaired to a level which does not permit the bank to operate in a safe and sound manner;
- (c) Has had insurance of depositors’ accounts terminated by the FDIC; or
- (d) Has requested through its board of directors that the Commissioner take possession for the benefit of depositors, or other creditors and shareholders.

WHEREAS, in the case of Louisa Community Bank, the Commissioner has determined that persistent operating losses had eroded the Bank’s tangible equity capital to approximately 1.71% of total assets as of July 31, 2019. This level resulted in the Bank being deemed as “critically undercapitalized” pursuant to § 38 of the FDI Act, entitled Prompt Corrective Action (“PCA”), 12 U.S.C. § 1831o, and Part 324 of the FDIC Rules and Regulations, 12 C.F.R. Part 324. This figure continued to deteriorate to 1.46% as of August 31, 2019, and 1.16% as of September 30, 2019; and

WHEREAS, the Commissioner has also found that, in addition to being “critically undercapitalized,” further capital erosion through operating losses was very likely to continue. While significant and immediate external financial assistance was required to stay the Bank’s impending failure, the Bank’s Board of Directors (“Board”) and existing shareholders remained unwilling or unable to inject additional needed capital into the Bank; and

WHEREAS, the Commissioner has further determined that the Banks’ Board had been unsuccessfully attempting to identify an acquisition partner for several years. In the time leading up to the Commissioner taking possession of the Bank, the Bank remained unable get up to an “adequately capitalized” level per PCA standards, or become paired with an appropriate and interested acquisition partner; and

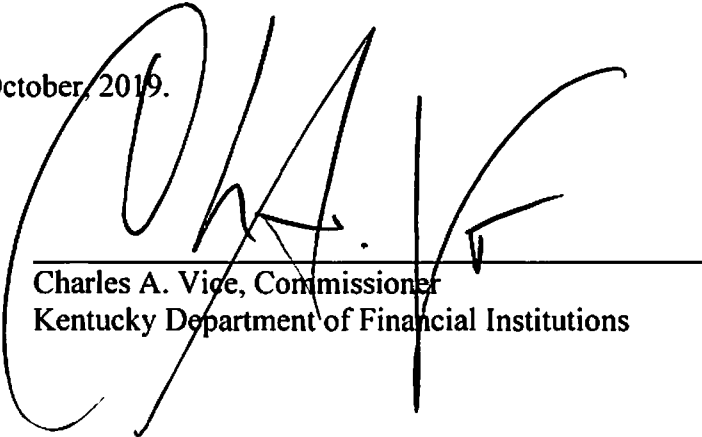
WHEREAS, for the foregoing reasons, the Commissioner has found that the Bank had “permitted capital to become impaired to a level which d[id] not permit the bank to operate in a safe and sound manner” and has, therefore, taken possession of and closed the Bank for purposes of liquidation in accordance with KRS 286.3-854(1); and

WHEREAS, the Commissioner, having found the deposits of the Bank to be insured by the Federal Deposit Insurance Corporation (“FDIC”), tendered appointment as receiver of the Bank to the FDIC pursuant to KRS 286.3-854(2) and KRS 286.3-856; and

WHEREAS, the FDIC has agreed to accept appointment as receiver for the Bank;

NOW, THEREFORE, for the reasons set forth above, and pursuant to the powers authorized in KRS 286.1-011(1)(2), KRS 286.3-220, KRS 286.3-854, and KRS 286.3-856, the Commissioner hereby issues this Notice: (1) finding that the Louisa Community Bank has permitted capital to become impaired to a level which does not permit it to operate in a safe and sound manner; (2) taking possession and closing the Bank for purposes of liquidation; and (3) appointing the Federal Deposit Insurance Corporation as receiver of the Louisa Community Bank.

It is so entered this 25th day of October, 2019.



Charles A. Vice, Commissioner
Kentucky Department of Financial Institutions