

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK AND FOR TRUST POWERS

Order No.: 99-31

Date: May 28, 1999

Commonwealth Bancshares, Inc. Shelbyville, Kentucky (the "Applicant"), has applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1, to organize First Security Trust Bank, F.S.B., Florence, Kentucky (the "Savings Bank"), a federal stock savings bank. In addition, the Savings Bank has applied under 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550 for permission to exercise limited trust powers, and has applied under 12 C.F.R. § 545.92 for permission to establish a branch office in Palm Beach Gardens, Florida. The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the applications under the standards set forth in 12 U.S.C. § 1464(e), 1464(n), and 1464(r), 12 C.F.R. §§ 543.3, 552.2-1(b), 556.5 and Part 550, and the Community Reinvestment Act, 12 U.S.C. §§ 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e.

In addition, the OTS has considered the digest by the OTS Central Regional Office ("Regional Office"), a legal opinion by the Business Transactions Division, and analyses by the Office of Examination and Supervision, Compliance Policy and Trust Programs ("collectively the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS has determined that the applications satisfy all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the applications are hereby approved, subject to the following conditions:

1. The Applicant and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Regional Director, or his designee (the "Regional Director"), may grant;
3. On the business day prior to the date of consummation of the proposed transaction, the Applicant and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the information disclosed in the application, including but not limited to directors, officers or the business plan; and that no additional information having an adverse bearing on any

feature of the application has been brought to the attention of the Applicant or the Savings Bank since the date of the financial statements submitted with the application;

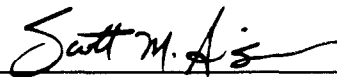
4. The Savings Bank must advise the Regional Office in writing within five calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the applications, and this Order;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must comply with the audit rules set forth in 12 C.F.R. § 562.4;
6. The proposed appointment of any permanent executive officers or directors to the de novo for the first year of the Savings Bank's operations shall be subject to the review and non-objection of the Regional Director;
7. Any contracts or expense sharing agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Regional Director for review and non-objection, at least 30 days prior to implementation;
8. At least 40 percent of the Savings Bank's board of directors must be comprised of individuals who are not officers or employees of the Applicant or affiliates thereof and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Applicant or any affiliate and who is not an officer or employee of the Savings Bank. At least 50 percent of the Savings Bank's audit and investment committees must be comprised of directors who are not officers or employees of the Savings Bank, the Applicant or any affiliates. If compliance with this condition involves the selection of additional director(s), each director must receive the prior approval of the Regional Director;
9. The Savings Bank must operate within the parameters of its business plan. Any proposed major deviations or material changes from the plan will require the Savings Bank to submit a revised business plan for the approval of the Regional Director, or his designee. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
10. Prior to engaging in any fiduciary activity, the Savings Bank must develop and submit to the Regional Office for review a functioning oversight program, consisting of a comprehensive audit program, a compliance management program, and a risk management program. The audit program must be fully implemented prior to the

commencement of operations. The compliance management program must be fully implemented within 90 days of commencement of operations. The risk management program must be fully implemented within 180 days of commencement of operations.

- The audit program must address auditor qualifications, audit scope and method, committee involvement, reporting, and the process for effectuating corrective action.
 - The compliance management program must ensure compliance with applicable laws, regulations, and sound fiduciary principles. It must include, at a minimum: (a) the assignment of specific compliance responsibilities to experienced staff; (b) training for affected staff; (c) routine self-evaluations; (d) periodic compliance audits; and (e) appropriate written policies and procedures.
 - The risk management program must establish criteria to identify, measure, monitor, and control risks within the fiduciary activities;
11. The Savings Bank must submit to the Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts, and the minutes of the meetings of the Savings Bank's Trust Committee; and
12. At least 30 days prior to the effective date of the proposed transaction, the Savings Bank must submit written evidence, acceptable to the Regional Director, that the Savings Bank's Year 2000 efforts comply with the terms, milestone dates, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Finance institutions Examination Council.

Any time period specified in this order may be shortened or extended for good cause, for up to 120 calendar days, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee,
effective MAY 28, 1999.



Scott M. Albinson
Deputy Director