

ADMINISTRATIVE PROCEEDING

File No. 3-17583

SEC Charges Pennsylvania Bank and Current and Former Officers With Accounting Violations Involving Impaired Loans

September 27, 2016 — The Securities and Exchange Commission today announced that Orrstown Financial Services, Inc., a Shippensburg, Pennsylvania-based bank holding company, its CEO, and two of its former senior officers have agreed to settle charges that Orrstown under-reported its impaired loans in its SEC filings during 2010 and 2011 by as much as \$69.5 million.

An SEC investigation found that Orrstown, through its current CEO, Thomas R. Quinn, Jr., former CFO, Bradley S. Everly, and former Chief Credit Officer, Jeffrey W. Embly, repeatedly failed to accurately disclose the value of its impaired loans as required by generally accepted accounting principles (“GAAP”) in 2010 and 2011. Many of those loans were made to some of the bank’s largest commercial real estate borrowers who were experiencing difficulty servicing their debt due to the declining economic environment at the time. The investigation also found that Orrstown’s Chief Accounting Officer, Douglas P. Barton incorrectly implemented a newly issued GAAP standard on troubled debt restructurings and did not calculate the bank’s loan losses in accordance with GAAP. In addition, the SEC’s investigation found that Quinn, Everly, and Embly incorrectly applied Orrstown’s loan policy and GAAP when calculating fair value for collateral in connection with impairment analyses related to certain commercial real estate loans.

The SEC’s order finds that Orrstown, Quinn, Everly and Embly violated Sections 17(a)(2) and (3) of the Securities Act of 1933, that Orrstown violated Sections 13(a), 13(b)(2)(A) and (B) of the Securities Exchange Act of 1934 and Rules 12b-20, 13a-1 and 13a-13 thereunder, that Quinn, Everly and Embly violated Exchange Act Rule 13b2-1 and caused Orrstown’s violations of Sections 13(a), 13(b)(2)(A) and (B) of the Exchange Act and Rules 12b-20, 13a-1 and 13a-13 thereunder, that Quinn and Everly violated Exchange Act Rule 13a-14, and that Barton violated Exchange Act Rule 13b2-1 and caused Orrstown’s violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 12b-20 and 13a-13 thereunder.

Without admitting or denying the findings in the SEC’s order, Orrstown, Quinn, Everly, Embly and Barton each agreed to the entry of a cease-and-desist order, Orrstown agreed to pay a civil penalty of \$1 million, Quinn, Everly and Embly each agreed to pay a penalty of \$100,000, and Barton agreed to pay a penalty of \$25,000. In addition, Everly agreed to be suspended from appearing and practicing before the SEC as an accountant, which includes not participating in the financial reporting or audits of public companies. The SEC’s order permits Everly to apply for reinstatement after three years.

The SEC’s investigation was conducted by Han Nguyen, Brian R. Higgins, Jennifer Miller, Julia Green and Kingdon Kase of the Philadelphia Office, with assistance from Peter Rosario in the SEC’s Washington, D.C. Office. The matter was supervised by G. Jeffrey Boujoukos.

See also: [SEC Order](#)