

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made and is effective this 26th day of February, 2007 (Effective Date), by and between Park Federal Savings Bank, Chicago, Illinois, OTS Docket No. 00805 (Park Federal or Institution), a federally chartered stock savings bank, and the Office of Thrift Supervision (OTS), a bureau of the United States Department of the Treasury, acting through its Southeast Regional Director or his designee (Regional Director).

WHEREAS, the OTS is the primary federal regulator of the Institution;

WHEREAS, based upon the September 18, 2006 Report of Examination (2006 Examination Report), the OTS is of the opinion that the Institution has engaged in acts and practices that are considered to be unsafe and unsound;

WHEREAS, the OTS is of the opinion that grounds exist for the initiation of an administrative proceeding against the Institution;

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Institution will engage in safe and sound practices; and

WHEREAS, the Institution, acting through its Board of Directors (Board), without admitting or denying that such grounds exist except those as to jurisdiction, which are admitted, wishes to cooperate with the OTS and to evidence the intent to: (i) comply with all applicable laws and regulations; and (ii) engage in safe and sound practices.

NOW THEREFORE, in consideration of the above premises and the mutual undertakings set forth herein, the parties hereto agree as follows:

Compliance with Safe and Sound Practices

1. The Institution, its directors, officers, employees, agents, and subordinate organizations shall take all necessary and appropriate actions to comply with the following safe and sound business practices:
 - a. CEO Memorandum No. 128 (Revised Uniform Retail Credit and Account Management Policy);
 - b. CEO Memorandum No. 142 (Policy Statement on Allowance for Loan and Lease Losses Methodologies and Documentation for Banks and Savings Institutions); and
 - c. CEO Memorandum No. 225 (Frequently Asked Questions on Residential Tract Development Lending).

MANAGEMENT

Oversight Committee

2. As of the Effective Date of this Agreement, the Board shall establish an Oversight Committee consisting of outside directors who shall be responsible for ensuring that management implements timely and complete corrective action related to exceptions or recommendations contained in OTS examination reports, third party reviews, and internal and external audits of the Institution. The Oversight Committee shall formally document its review of the Institution's compliance with this Paragraph on a quarterly basis, at a minimum, beginning with the quarter ending March 31, 2007.

Business Plan

3. Within sixty (60) days after the Effective Date of this Agreement, the Board shall develop, adopt, implement and submit to the Regional Director, the Institution's three-year Business Plan (Business Plan) covering fiscal years 2007 through 2009. The Business Plan shall, at a minimum, provide for the following:
 - a. Detailed operating strategies for returning Park Federal to a profitable banking institution;
 - b. Detailed financial projections and analysis for the proposed branch office discussed on Pages 18 – 20 of the 2006 Examination Report;
 - c. Detailed feasibility analysis for any future branch offices;
 - d. Pro forma financial statements, including a balance sheet, income statement, and regulatory capital projections for the period covered in the Business Plan; and
 - e. Relevant and realistic assumptions that reflect Board adopted operating strategies for the period covered in the Business Plan.
4. Within forty-five (45) days from the end of each calendar quarter, the Board shall provide the Regional Director with a variance report comparing the Institution's actual operating results to the Business Plan projections.
5. Within ninety (90) days from the end of each fiscal year end following the effective date of this Agreement, the Board shall submit an updated three-year Business Plan to the Regional Director.

Suspicious Activity Reports

6. Within thirty (30) days after the Effective Date of this Agreement, the Board shall revise, adopt, implement and submit to the Regional Director, policies and procedures governing the filing of Suspicious Activity Reports (SARs) to ensure compliance with the requirements set forth at 12 C.F.R. § 563.180. At a minimum, such procedures shall provide for the filing of SARs in a timely, accurate, and complete manner consistent with 12 C.F.R. § 563.180 and the SAR instructions.

ASSET QUALITY

Loan Policy

7. Within thirty (30) days after the Effective Date of this Agreement, the Board shall revise, adopt, and implement the Institution's Loan Policy to include the following revisions:
 - a. Formally incorporate the changes related to enhancing and improving the administration of nonhomogeneous lending activities detailed on Page 47 of the 2006 Examination Report; and
 - b. Incorporate the requirements set forth in CEO Memorandum No. 225 regarding appraisal procedures for loans secured by five or more units to be constructed as a single structure.

Classification of Assets/Real Estate Owned

8. Within thirty (30) days after the Effective Date of this Agreement, the Board shall revise, adopt, and implement the Institution's Classification of Assets Policy to incorporate the requirements set forth in CEO Memorandum No. 128.
9. As of the Effective Date of this Agreement, the Board shall formally monitor the reporting of classified assets, including consideration of loans with past due maturity dates and real estate owned properties (REO). Board packages shall include quarterly classified asset reports, along with Schedule PD – Consolidated Past Due and Nonaccrual and Schedule VA – Consolidated Valuation Allowances from the most current Thrift Financial Reports. The Board shall thoroughly document classified asset discussions in the Board minutes.
10. Within forty-five (45) days, after the Effective Date of this Agreement and upon receipt of any future Report of Examination, the Board shall develop, adopt, implement and submit to the Regional Director, a written plan for the resolution of all REO properties, as well as any classified assets in excess of \$500,000 (Resolution Plans). Each Resolution Plan shall, at a minimum, discuss the problems and weaknesses of each asset, establish reasonable targets and time frames for resolution, and require quarterly reports to the Board on compliance with established targets and time frames.

11. Within forty-five (45) days from the end of each calendar quarter, beginning with the quarter ending June 30, 2007, the Board shall provide the Regional Director with a Resolution Plan status report for each asset identified in Paragraph 10 of this Agreement.

Allowance for Loan and Lease Losses

12. Within forty-five (45) days after the Effective Date of this Agreement, the Board shall develop, adopt, and implement policies and procedures governing the establishment and maintenance of allowances for loan and lease losses (ALLL Policy) to ensure compliance with the requirements set forth in CEO Memorandum No. 142.

COMPLIANCE WITH AGREEMENT

13. The Board and officers of the Institution shall take immediate action to cause the Institution to comply with the terms of this Agreement and shall take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.
14. The Board shall, on a quarterly basis beginning with the calendar quarter ending March 31, 2007, adopt a Board resolution (the Compliance Resolution) formally resolving that, following a diligent inquiry of relevant information (including a report from Management regarding the Institution's compliance with each numbered paragraph of this Agreement), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement currently in effect, except as otherwise stated. The Compliance Resolution shall: (i) specify in detail how, if at all, full compliance was found not to exist, and (ii) identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.
15. The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption, and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each such director's reasoning for opposing or abstaining.
16. Within forty-five (45) calendar days after the end of each calendar quarter, beginning with the end of the first calendar quarter following the Effective Date of this Agreement, the Institution shall provide to the Regional Director a certified true copy of the Compliance Resolution[s] adopted at the Board meeting pursuant to Paragraphs 14 and 15 of this Agreement. The Board, by virtue of the Institution's submission of a certified true copy of such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except that in the event that one or more directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution.

BOARD OF DIRECTORS

Director Responsibility

17. Notwithstanding the requirements of this Agreement that the Board submit various matters to the Regional Director for the purpose of receiving his approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations of the Regional Director as required by this Agreement.
18. The Board shall promptly respond to any request from the OTS for documents to demonstrate compliance with this Agreement, including making Institution records and documents available for OTS examiner review upon request.

Definitions

19. All technical words or terms used in this Agreement for which meanings are not specified or otherwise provided by the provisions of this Agreement shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Successor Statutes, Regulations, Guidance, Amendments

20. Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date and references to successor provisions as they become applicable.

Notices

21. Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Agreement to be made upon, given or furnished to, delivered to, or filed with:
 - a. The OTS by the Institution, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Assistant Regional Director Cheryl G. Petty, Office of Thrift Supervision, Department of the Treasury, 1 South Wacker Drive, Suite 2000, Chicago, Illinois, 60606, or telecopied to (312) 917-5001 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

- b. The Institution by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Institution at 5400 South Pulaski Road, Chicago, Illinois, 60632, or telecopied to (773) 582-8657 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address.

Duration, Termination or Suspension of Agreement

22. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below, and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).
23. The Regional Director in his sole discretion, may, by written notice, suspend any or all provisions of this Agreement.

Time Limits

24. Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

Effect of Headings

25. The Section headings herein are for convenience only and shall not affect the construction hereof.

Separability Clause

26. In case any provision in this Agreement is ruled to be invalid, illegal or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his sole discretion determines otherwise.

No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted

27. Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject, or (ii) restricting the OTS from taking such action(s) as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

Successors in Interest/Benefit

28. The terms and provisions of this Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their successors in interest. Nothing in this Agreement, express or implied, shall give to any person or entity, other than the parties hereto and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Signature of Directors

29. Each Director signing the Agreement attests, by such act, that she or he voted in favor of a Board resolution authorizing the execution of this Agreement by the Institution.

Integration Clause

30. This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter. However, upon approval by the Regional Director, all policies required by this Agreement shall become part of this Agreement and any deviation from these policies shall be deemed a violation of this Agreement.

Enforceability of Agreement

31. The Institution represents and warrants that this Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. The Institution acknowledges that this Agreement, is a "written agreement" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. §1818.

Counterparts

32. This Agreement may be executed in two or more counterparts, all of which shall be considered one and the same agreement and each of which shall be deemed an original.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director and the Institution, in accordance with a duly adopted resolution of its Board, hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

By:

/s/

John E. Ryan
Southeast Regional Director

PARK FEDERAL SAVINGS BANK

By:

/s/

Name: David A. Remijas
Chairman of the Board, President and Chief
Executive Officer

/s/

Robert W. Krug

/s/

John J. Murphy

/s/

Richard J. Remijas, Jr.

/s/

Victor H. Reyes

/s/

Paul Shukis