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SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 17th day of October, 1991, by and between Permanent Federal Savings Bank, Evansville, Indiana (OTS Docket No. 00214) ("Institution"), and the Office of Thrift Supervision ("OTS"). This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of the Institution. It is understood and agreed that this Agreement is a "written agreement" entered into with the OTS within the meaning of 12 U.S.C. Sections 1818 (b) and (i)(2), as amended.

WHEREAS, the OTS is of the opinion that the Institution has not complied with certain of the regulations to which the Institution is subject in conducting the business of the Institution, specifically:

(a) 12 C.F.R. 563.233(b);
(b) 12 C.F.R. 563.233(c);
(c) 12 C.F.R. 563.160(c)(2);
(d) 12 C.F.R. 563.160(d)(3); and
(e) 12 C.F.R. 561.13.

And has engaged in unsafe or unsound practices in conducting the business of the Institution, thereby providing grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, the OTS is willing to forbear at this time the initiation of cease and desist proceedings against the Institution for its failure to comply with certain statutes and/or regulations and its unsafe and unsound practices as set forth in the Institution's examination report dated June 24, 1991, so long as the Institution is in compliance with the provisions of the Agreement; and

WHEREAS, in the interest of regulatory compliance and cooperation, and without denying or admitting that such grounds exist, the Institution is willing to enter into this Agreement to avoid the initiation of such cease and desist proceedings;

NOW, THEREFORE, in consideration of the above-stated premises and forbearance by the OTS from the initiation of cease and desist proceedings against the Institution, it is agreed between the parties hereto as follows:

1. FINANCIAL MANAGEMENT STRUCTURE

Within 60 days of the execution of this Agreement, the Board shall hire an experienced, qualified individual to act as Controller with overall responsibility for the accounting functions of the Institution. Within 90 days of hiring, this individual shall submit a reorganization plan to the Board. This plan will address functional responsibilities of the department, staffing needs, and departmental organization. The plan shall also include proposed job descriptions for each position within the department. The Board will forward a copy of this report to the Deputy Regional Director immediately following the Board meeting at which the report is reviewed.

2. INTERNAL ACCOUNTING CONTROLS

A. Within 60 days of the hiring of the new Controller:

i. All general ledger accounts shall be reconciled;

ii. Any stale or suspense item outstanding for more than 90 days shall be written off;

iii. Procedures shall be in place to ensure that cash and checking accounts are reconciled monthly; and

iv. Documentation procedures shall be adopted for reconciling all general ledger accounts on at least a monthly basis.

B. Within ten (10) days of receipt, the Institution shall promptly record all adjusting entries required by the independent auditors as of the audit date. These entries will not be subsequently reversed without the prior written consent of the independent auditing firm. Documentation shall support the reason for the reversal.

C. Upon the signing of this Agreement, a qualified individual will be given the responsibility of preparing the OTS Thrift Financial Reports (TFR's). All TFR's shall be substantially complete and correct in all aspects. Complete documentation shall be maintained to provide full support for all items reported. The accuracy of these filings along with supporting documents shall be reviewed by upper management and promptly amended as necessary.

D. Within 60 days from from hiring of new Controller, the Institution shall develop a satisfactory system of internal controls to include:

i. An organizational plan that segregates functional responsibilities appropriately;

ii. A system of authorization and recording procedures that assures reasonable control of assets, liabilities, income, and expenses that requires, at a minimum, an officers approval of journal vouchers and a review process for posting entries; and

iii. Sound practices to be followed in performance of the duties and functions of each organizational department, at a minimum, to ensure the adequate segregation of duties.

iv. Specific responsibility for journal voucher origination, posting, approval, and review shall be set forth in writing. The appropriate segregation of duties will be enacted to prevent a single individual from performing multiple functions.

3. CLASSIFIED ASSETS

The Institution will adopt and use its best efforts to comply with a plan of action designed to reduce the level of Classified Assets. This plan shall be submitted to this Office within 45 days of the execution of this Agreement and is subject to the approval of the Deputy Regional Director or his/her designee.

4. INTERNAL CLASSIFICATION PROCEDURES

The Institution will review internal classification procedures and examiner classifications as presented in Appendix 12 of the June 24, 1991 Report of Examination to ensure that assets are being appropriately classified. Closed-end consumer credit over 120 days delinquent and not well secured and in the process of collection will be classified loss and promptly charged-off.

5. GENERAL VALUATION ALLOWANCES

Upon the signing of this Agreement, General valuation allowances and specific valuation allowances shall be accounted for in separate general or subsidiary ledger accounts. Within 60 days of the execution of this Agreement, the Institution shall also implement procedures as required by OTS Regulation Section 563.160 to provide for an assessment of general valuation allowances, in which the adequacy of these accounts shall be reviewed by the Board on at least a quarterly basis.

6. ACCOUNTING FOR REAL ESTATE OWNED

Real Estate Owned shall be accounted for at the lower of cost or fair value at the time of repossession. If a loss is indicated at this time, a direct charger-off must be made. On at least an annual basis thereafter, a net realizable value calculation must be performed and allocations for specific reserves made to reflect any losses.

7. LENDING ACTIVITY

Within 60 days of the execution of this agreement, the Institution shall develop and implement a comprehensive Commercial Non-mortgage Loan Policy. The Institution will also develop a plan of action to address the lack of underwriting expertise for this type of lending. The plan of action will include additional training procedures for existing personnel, or for the appointment of new personnel to oversee this lending function.

Additionally, the Institution will cease its commercial lending activities until such time that the Commercial Lending Policy has been approved by the Deputy Regional Director, and until such time that adequate commercial loan underwriting expertise is in place.

Adequate procedures to protect against intervening mechanics liens in construction lending shall be developed within 60 days of the effective date of this Agreement. Within this same time frame, mortgage loan underwriting standards will also be revised to include minimum basic documentation requirements as defined in OTS Regulation Section 563.170(c).

8. LOANS TO ONE BORROWER/CONCENTRATIONS OF CREDIT

Within 60 days from the execution of this Agreement, the Institution shall develop procedures to ensure that new funds are not advanced on concentrations of credit exceeding the Loans-to-One-Borrower limitations as defined in OTS Regulation Section 563.93. The Institution shall also maintain documentation of its best efforts to reduce the balance of funds extended on such concentrations.

9. GROWTH LIMITATIONS

In no event may liability growth in any two quarter period exceed 12.5%, without prior written approval of the Deputy Regional Director or his/her designee, as stipulated in 12 CFR Section 563.131.

10. DIRECTOR AND OFFICER COMPENSATION

Until such time as this Agreement is terminated by formal written notice from the Deputy Regional Director or his/her designee, the Institution's principal officers shall not receive bonuses in any amount, for any reason. In addition, no principal officer shall receive an increase in salary of more than 5% per year without the prior written approval of the Deputy Regional Director or his/her designee.

Until termination of this agreement, direct compensation paid to each of the Institution's directors for attendance at Board meetings and participation on operating committees, shall not exceed that amount currently being paid as disclosed on appendix pages A-3.1 through 3.3 of the June 24, 1991 Report of Examination. Further, indirect compensation or benefits, in any form, currently received by directors, shall not be enhanced or increased without prior written approval of the Deputy Regional Director or his/her designee.

11. INTERNAL COMPLIANCE REVIEW

Beginning with the end of the quarter following the execution of this Agreement the Institution shall provide to the Deputy Regional Director, a copy of the Board minutes containing quarterly progress reports prepared by the Institution's internal auditor. Each such report shall include written conclusions regarding the Institution's compliance with this Agreement and explanations of identified variances.

12. DIRECTOR RESPONSIBILITY

Although the Institution is required by this Agreement to submit certain proposed actions, policies, and procedures and guidelines for the review or approval of the Deputy Regional Director or her designee for the OTS, the Board of Directors retain the ultimate responsibility for the proper and safe and sound management of the Institution. Moreover, the Board of Directors shall actively fulfill its fiduciary duty by putting forth its best efforts to ensure that the Institution is safely and soundly managed. To this end, the Institution's official minutes (including material documentation of the Board and its established committees) shall clearly reflect the level of decision making and supervision exercised over the Institution by the Board.

ADDITIONAL TERMS AND CONDITIONS

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, and Federal Deposit Insurance Corporation Act, as amended ("FDIC"). Any such technical words or terms used in this Agreement and undefined in said Code of Federal Regulations, HOLA, FDIC Act, to OTS Memoranda shall have meanings that accord with the best custom and usage in the savings and loan industry.

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.

This Agreement shall remain in effect until terminated, modified or suspended by the OTS, acting through the Deputy Regional Director or his/her designee. The Board of Directors may, upon its own review of compliance with the terms of the Agreement, make written request for termination of the Agreement. The Deputy Regional Director shall consider requests for termination of the Agreement received from the Institution, if, in his/her opinion, the Institution has substantially and satisfactorily complied with the terms of this Agreement, and shall not unreasonably withhold approval of such requests.

IN WITNESS THEREOF, the OTS, acting through the Deputy Regional Director or his/her designee, and the Institution, by its duly elected directors, have executed this Agreement on the date first written above. A certified copy of the resolution of the Board of Directors of the Institution authorizing the execution of this Agreement is attached hereto and made a part thereof.

Approved:

Permanent Federal Savings Bank

By /S/
Donald P. Weinzapfel

/S/
Daniel F. Korb

/S/
Kenneth Allen

/S/
John Forster

/S/
Jack H. Kinkel

/S/
Robert L. Northerner

/S/
James E. Vogel

Kent R. Bernhardt

Office of Thrift Supervision

By: /S/
Stuart M. Brafman
Regional Director