

SUPERVISORY AGREEMENT

This Agreement is made and is effective this 21st day of January, 1992, by and between First Federal Bank, FSB, Campbellsville, Kentucky ("First Federal"), and the Office of Thrift Supervision ("OTS"), through its Regional Director for the Central Regional Office or designee ("Regional Director").

This Agreement has been duly authorized, executed, and delivered, and constitutes, in accordance with its terms, a valid and binding obligation of First Federal its directors, officers, employees, agents and service corporations. It is understood and agreed that this Agreement is a "written agreement" entered into with the Office of Thrift Supervision within the meaning of Section 8(b) and (i) of the Federal Deposit Insurance Act, 12 U.S.C. § 1818(b) and (i) (Supp. I 1989).

Without admitting or denying any alleged violations of law or regulation, First Federal nevertheless, in the interest of regulatory cooperation, is willing to enter into this Agreement.

NOW THEREFORE, IT IS AGREED:

- 1. Within 60 days from the date of this Agreement, First Federal shall submit to the Deputy Regional Director of the Cincinnati District of the OTS or his designee a comprehensive plan for the reduction of classified assets to a ratio of 50% of classified assets to tangible capital plus general valuation allowances (GVA's). First Federal must also provide to the OTS quarterly a detailed asset plan for each classified asset with a

net book value exceeding \$100,000. This detailed plan should explain specifically on an asset by asset basis what steps the institution has taken or is taking to cure the deficiencies in the credit. The detailed asset by asset plan should also provide a history of each asset.

2. Until the ratio of classified assets to tangible capital and GVA's specified above is met, First Federal shall not declare or pay dividends without prior written authorization from the Deputy Regional Director.

3. Within 90 days from the date of this Agreement, First Federal shall provide to the OTS a written plan for control of noninterest operating expenses.

4. Within 60 days from the date of this Agreement, The Board of Directors of First Federal shall adopt policies and implement procedures, acceptable to the Deputy Regional Director covering transactions with affiliates, transactions with affiliated persons, and for the avoidance of conflicts of interest. Such policies shall include citations of all applicable statutes and regulations and shall be routinely updated for regulatory changes.. These policies shall be reviewed by all directors and members of executive management annually, and compliance shall be documented annually by each director and officer.

5. Director Gaines must either remove or fully collateralize his line of credit from the institution and it must be placed on an amortization schedule if not removed from the institution.

6. First Federal shall discontinue commercial lending until board approved policies and procedures acceptable to the OTS have been submitted.

7. First Federal shall submit quarterly reports to the Deputy Regional Director detailing steps to reduce its mobile home portfolio and to maintain adequate loss reserves in relation to such portfolio.

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, Home Owners' Loan Act, Federal Deposit Insurance Act or OTS Memoranda, as amended, and all such technical words or terms used in this Agreement, and undefined by the statutes, rules and regulations, 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 its Regional Director.

