

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this 2nd day of July, 1991, by and between United Federal Savings Bank of Vincennes, Vincennes, Indiana (OTS Docket No. 3768) ("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, 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 January 28, 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. TRANSACTIONS WITH AFFILIATES AND AFFILIATED PERSONS (as those terms are defined by OTS Regulations)

The Board shall adopt and comply with formal policies for A) certificates of deposits greater than \$100,000 ("JUMBO DEPOSITS"), and B) retail repurchase agreements ("AGREEMENTS"), entered into with affiliates and affiliated persons ("Affiliates") of the Institution. These board adopted guidelines are subject to the approval of the Deputy Regional Director or his/her designee and shall be submitted to the Deputy Regional Director or his/her designee within 45 days of the execution of this Agreement. These policies will include specific procedures regarding how rates on JUMBO DEPOSITS and AGREEMENTS entered into with Affiliates are set and must incorporate standards which prevent even the appearance of conflicts of interest in transactions involving Affiliates as stipulated in 12 C.F.R. Section 571.7(b).

## 2. ORGANIZATIONAL STRUCTURE

The Board shall revise the managerial structure of the Institution. The revised organizational structure shall clearly ensure the independence of the appraisal function from the lending, investment, and collection functions as required by appraisal regulation 12 C.F.R. Section 564.5(a). Within 45 days of the execution of this Agreement, the Board shall submit to the Deputy Regional Director its plan for revising the Institution's organizational structure. Within 90 days of the Deputy Regional Director's or his/her designee's approval of the plan, the Board shall cause the new structure to be in place.

The Board shall also establish job descriptions for all officers, (including the position of Chairman of the Board), which clarify daily responsibilities and provide for clear lines of authority in all operational areas.

Upon the signing of this Agreement, and until such time as this Agreement is terminated by formal written notice from the Deputy Regional Director or his/her designee, the Institution will not elect or appoint anyone to a position equivalent to the level of Vice President or above (including a director of the board), without the prior written approval of the Deputy Regional Director or his/her designee.

## 3. DIRECTOR COMPENSATION

Upon the signing of this Agreement, and until such time as this Agreement is terminated by formal written notice from the Deputy Regional Director or his/her designee, total directorate remuneration shall not exceed \$53,000 on an annual basis. This aggregate includes but is not limited to all monthly director/director emeritus fees, health insurance premiums for nonfull-time employees or retired officers, with the exception of Horace Foncannon, committee fees, and Chairmanship fees. The Board shall also restructure director emeritus fees to be contingent upon attendance.

Within 45 days of the execution of this Agreement, the Institution shall establish and comply with policies and procedures for director compensation and shall submit these revised policies to this Office, subject to the approval of the Deputy Regional Director or his/her designee.

## 4. LENDING ACTIVITY

Within 45 days of the execution of this Agreement, the Institution will adopt and use its best efforts to comply with written guidelines regarding collection procedures. In addition, the Institution shall adopt and use its best efforts to comply with monitoring procedures for major commercial borrowers. The Institution will use its best efforts to ensure that collection and monitoring practices are in compliance with its Board-approved procedures.

The Institution will use its best efforts to ensure that delinquent consumer credits are classified in accordance with 12 C.F.R. Sections 561.13, and 563.46. The Institution will use its best efforts to classify its assets as stipulated in 12 C.F.R. Sections 563.160 and 571.26, and in accordance with Board adopted policies and procedures. Specific reserves shall be established for all appraised losses on real estate owned by the Institution as required by 12 C.F.R. Section 563.172. In addition, the Institution will use its best efforts to ensure that future loans are underwritten in compliance with its policies.

5. 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.

6. 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.

7. 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.

8. 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:

United Federal Institution of Vincennes Office of Thrift Supervision

By:

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Horace A. Foncannon, Jr.

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Janice L. Beesley

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George D. Gardner

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John Harrison

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Robert Vincent

By:

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Bill A. Drake  
Deputy Regional Director

ISI  
Joseph M. Vieck,

ISI  
Jerome Niehaus

ISI  
Ralph J. Jacquain

ISI  
John Bobe

CERTIFIED COPY OF  
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly qualified Secretary of United Federal Savings Bank of Vincennes, Vincennes, Indiana (OTS Docket No. 3768) ("Institution") hereby certify that the following is a true copy of a resolution duly adopted by its board of directors at a meeting duly called and held on July 2, 1991; that at said meeting a quorum was present and voting throughout; and that said resolution has not been rescinded or modified and is now in full force and effect;

RESOLUTION

WHEREAS, the directors of the Institution have been advised that the Office of Thrift Supervision ("OTS") is of the opinion that the Institution violated regulations to which the Institution is subject and has engaged in unsafe and unsound practices and that such violations and practices provide grounds for the initiation of cease and desist proceedings against the Institution by the OTS; and

WHEREAS, said directors have been informed that the OTS will forbear from the initiation of such proceedings as a result of the Institution's failure to comply with certain statues and regulations to which the Institution is subject, and the Institution's unsafe and unsound practices as set forth in an examination report dated October 9, 1990, if the attached Supervisory Agreement is executed by the Institution and if its terms are thereafter carried out by the Institution; and

WHEREAS, the directors of the Institution have read and considered the proposed Agreement attached to the minutes of the meeting of the board of directors held on July 2, 1991; and

WHEREAS, after due consideration, and without denying or admitting that such grounds exist, the directors of the Institution have determined to enter into the proposed Agreement in the interest of regulatory compliance and cooperation: Now, therefore be it

RESOLVED, that the proposed Agreement, a copy of which is attached hereto and the provisions of which are incorporated herein by reference, be and is hereby approved by the Institution are directed and authorized to take all necessary steps to implement immediately the terms of the agreement and to comply with such Agreement.

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of United Federal Savings Bank of Vincennes, this 2nd day of July, 1991.

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Secretary *acting*