

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 13th day of August, 2010, by and through the Board of Managers (Board) of Pedcor Financial , LLC, Carmel, Indiana, OTS Docket No. H3598 (Holding Company) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director).

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Holding Company is subject to examination, regulation and supervision by the OTS;

WHEREAS, based on its November 9, 2009 examination of the enterprise consisting of the Holding Company and the Holding Company's direct and indirect subsidiaries, Pedcor Financial Bancorp, Carmel, Indiana, OTS Docket No. H4257 (Mid-Tier Holding Company), and Fidelity Federal Bancorp, Evansville, Indiana, OTS Docket No. H2204 (First-Tier Holding Company), the OTS finds that the Holding Company has engaged in unsafe or unsound practices in conducting its consolidated operations; and

WHEREAS, in furtherance of their common goal to ensure that the Holding Company addresses the unsafe or unsound practices identified by the OTS in the November 9, 2009 Report of Examination, the Holding Company and the OTS have mutually agreed to enter into this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Capital Plan.

1. By October 31, 2010, the Holding Company shall submit to the Regional Director a written plan for enhancing the consolidated capital of the Holding Company (Capital Plan). The Capital Plan shall cover the period beginning with the quarter starting January 1, 2011 through the quarter ending December 31, 2012. At a minimum, the Capital Plan shall include:

- (a) establishment of a minimum tangible capital ratio of tangible equity capital to total tangible assets commensurate with the Holding Company's consolidated risk profile;
- (b) capital preservation and enhancement strategies with specific time frames to achieve and maintain the Board-established minimum tangible equity capital ratios;
- (c) operating strategies to achieve net income levels that will result in adequate debt service throughout the term of the Capital Plan;
- (d) contingency plans to provide capital support to the Mid-Tier Holding Company and First-Tier Holding Company based on an assessment of the risk profile of the activities of the consolidated Holding Company under various stress scenarios;
- (e) quarterly cash flow projections for the Holding Company on a stand alone basis for the period covered by the Capital Plan that identify both the sources of funds and the expected uses of funds;
- (f) detailed scenarios to stress-test the consolidated minimum capital targets and debt service coverage based on continuing operating results, economic conditions and risk profile of consolidated assets; and

(g) identification of all relevant assumptions made in formulating the Capital Plan and a requirement that documentation supporting such assumptions be retained by the Holding Company.

2. Upon receipt of written notification from the Regional Director that the Capital Plan is acceptable, the Holding Company shall implement and adhere to the Capital Plan. A copy of the Capital Plan shall be provided to the Regional Director within five (5) days after Board approval.

3. Any material modifications¹ to the Capital Plan shall receive the prior written non-objection of the Regional Director. The Holding Company shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

Capital Plan Variance Reports.

4. Within forty-five (45) days after the end of each quarter, after implementation of the Capital Plan, the Board shall review quarterly variance reports on the Holding Company's compliance with the Capital Plan (Variance Reports). The Variance Report shall:

- (a) identify variances in the Holding Company's actual performance during the preceding quarter as compared to the projections set forth in the Capital Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken by the Holding Company to address identified variances.

5. A copy of each Variance Report shall be provided to the Regional Director within five (5) days after Board review.

¹ A modification shall be considered material under this Paragraph if the Holding Company: (a) plans to engage in any activity that is inconsistent with the Capital Plan; (b) plans to exceed the level of any activity contemplated in the Capital Plan by more than ten percent (10%); or (c) fails to meet target amounts established in the Capital Plan by more than ten percent (10%).

Dividends and Capital Distributions.

6. Effective immediately, the Holding Company shall not declare or pay any cash dividends or other capital distributions or purchase, repurchase or redeem or commit to purchase, repurchase, or redeem any Holding Company equity stock without the prior written non-objection of the Regional Director. The Holding Company shall submit its written request for non-objection to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend, capital distribution, or stock transaction. The written request for such notice of non-objection shall: (a) contain current and pro forma projections regarding the Holding Company's capital, asset quality, and earnings; and (b) address compliance with the Capital Plan required by Paragraph 1 of this Agreement.

Debt Limitations.

7. Effective immediately, the Holding Company shall not: incur, issue, renew, redeem, or rollover any debt,² increase any current lines of credit, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director. All written requests to the Regional Director shall include, at a minimum: a statement regarding the purpose of the debt; a copy of the debt agreement; the planned source(s) for debt repayment; and an analysis of the cash flow resources available to meet such debt repayment. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, redemption, or rollover; the proposed increase in any current lines of credit; or any other incurrence of additional debt.

² For purposes of this Paragraph, the term "debt" includes, but is not limited to: loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt; and does not include: liabilities that are incurred in the ordinary course of business to acquire goods and services and that are normally recorded as accounts payable or accruals under generally accepted accounting principles.

Conflict of Interest Policy.

8. Within ninety (90) days, the Holding Company shall adopt, implement, and thereafter adhere to a written, comprehensive conflict of interest policy (Conflict of Interest Policy) applicable to the Holding Company's directors, principal shareholders, and executive officers (Insiders) and related interests (Related Interests) of such Insiders as defined by 12 C.F.R. Part 215. The Conflict of Interest Policy, in addition to defining a conflict of interest, shall address:

- (a) avoidance of conflicts of interest and breaches of fiduciary duty, and the appearance of conflicts of interest by Insiders and Related Interests;
- (b) involvement in the Holding Company's transaction approval process by Insiders and Related Interests that may benefit directly or indirectly from a Holding Company's decision to enter into a transaction;
- (c) disclosure of actual and potential conflicts of interest to the Board and periodic disclosure of Related Interests as required by 12 C.F.R. Part 215;
- (d) requirements for arms-length dealing by the Holding Company, Mid-Tier Holding Company, and First-Tier Holding Company in any transactions involving Insiders and/or Related Interests;
- (e) a requirement that all transactions among the Holding Company and its direct or indirect subsidiaries are conducted in accordance with the applicable written agreement and are recorded accurately on the books and records of each entity;
- (f) disclosure of any Insider's or Related Interest's interest in the business of a borrower, vendor, independent contractor, supplier, or customer of the Holding Company; and
- (g) restrictions on and disclosure of receipt of anything of value received by Insiders

or Related Interests, directly or indirectly, from borrowers, vendors, independent contractors, suppliers, or customers of the Holding Company.

9. Upon adoption by the Board, a copy of the Conflict of Interest Policy shall be forwarded to the Regional Director.

10. The Board shall ensure that the Holding Company has processes, personnel, and control systems to ensure implementation of and adherence to its Conflict of Interest Policy.

Golden Parachute Payments.

11. Effective immediately, the Holding Company shall not make any golden parachute payment³ unless, with respect to such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

Directorate and Management Changes.

12. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers⁴ set forth in 12 C.F.R. Part 563, Subpart H.

Effective Date.

13. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

14. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

15. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

³ The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

⁴ The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

Submissions and Notices.

16. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

17. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) **To the OTS:**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To the Holding Company:**

Chairman of the Board
Pedcor Financial, LLC
770 3rd Avenue, SW
Carmel, Indiana 46032
Facsimile: (317) 218-2665

No Violations Authorized.

18. Nothing in this Agreement shall be construed as allowing the Holding Company, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

19. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Holding Company if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

20. The Holding Company acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 19 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

21. The laws of the United States of America shall govern the construction and validity of this Agreement.

22. If any provision of 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 or her sole discretion determines otherwise.

23. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

24. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

25. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

26. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Managers/Board Resolution.

27. Each Manager signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the managers after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the Regional Director along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Holding Company, hereby execute this Agreement.

PEDCOR FINANCIAL, LLC
Carmel, Indiana

Accepted by:
Office of Thrift Supervision

_____/s/
Bruce A. Cordingley, Manager

By:_____/s/
Daniel T. McKee
Regional Director, Central Region

_____/s/
Gerald K. Pedigo, Manager