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SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is entered into and made effective this 16TH day of June, 2000, (Effective Date), by and between People's Bank of California (the Institution), and the Office of Thrift Supervision (OTS).

WHEREAS, the OTS and the Board of Directors of the Institution (Board) have a common interest in assuring the current and future financial viability and profitability of the Institution, and in assuring that the Institution is operated in a safe and sound manner; and

WHEREAS, in pursuit of that interest, the OTS and the Board have determined that certain actions should be taken by the Board for the benefit of the Institution, its shareholders, and depositors.

NOW THEREFORE, the Institution and the OTS agree as follows:

I. Action Plan

The Institution has submitted for OTS review a "Lending Infrastructure Action Plan" (the Action Plan), attached hereto and incorporated herein as Exhibit 1, designed to comply with certain corrective actions set forth in the regular safety and soundness Report of Examination as of September 27, 1999. The Institution shall fully implement and at all times comply in all material respects with the Action Plan, including but not limited to, the policies, procedures, controls or systems initiated or modified pursuant to the Action Plan.

II. Composition of Board of Directors

On or about March 20, 2000, the Board amended the bylaws of the Institution to increase the number of directors comprising the Board from seven (7) to nine (9). Within

thirty (30) days of the date hereof, the Board shall cause to be filed with the OTS appropriate notices for appointment of candidates to fill the vacancies on the Board. The vacancies for the Board seats shall be filled with individuals who are not affiliated with, directly or indirectly, and are independent of current members of the Board, senior management, or shareholders of the Institution. The newly appointed members of the Board should not begin service until such time as non-objection to their appointment (or waiver of the notice period) has been obtained from OTS in accordance with applicable regulations.

III. Plan to Reduce Interest Rate Risk

The Institution shall comply at all times in all material respects with the Plan to Reduce Interest Rate Risk dated November 19, 1999, together with the amendment thereof approved by the Board on December 20, 1999 (IRR Reduction Plan), both of which are attached hereto and incorporated herein as Exhibit 2. The Institution shall monitor the IRR Reduction Plan and shall submit a written report to the OTS, comparing actual to projected performance on at least a quarterly basis, with an explanation of any variances. The Institution shall not modify or amend the IRR Reduction Plan without obtaining the prior written non-objection of the OTS.

IV. MISCELLANEOUS

A. Director Responsibility

- 1) Notwithstanding the requirements herein that the Institution submit various matters to the OTS for purpose of review, such regulatory oversight does not derogate or supplant each individual director's continuing fiduciary duty. The BOD shall have the ultimate responsibility for overseeing the safe and sound operation of the

Institution at all times, including compliance with any and all lawful directives of the OTS.

B. Compliance with Agreement

- 1) The Board of Directors, and senior management of the Institution, shall use their best efforts to cause the Institution to comply with the terms of this Agreement and to take all actions necessary or appropriate thereafter to cause the Institution to continue to carry out the provisions of this Agreement.
- 2) The Board, on a quarterly basis, shall adopt a resolution (the Compliance Resolution) formally resolving that, following a diligent review of relevant information (including reports of management and consultants, if any), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has complied with each provision of this Agreement, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist. The Compliance Resolution is in addition to, and not in lieu of, any other requirements of this Agreement for reporting compliance with certain provisions hereof.
- 3) 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 director's reasoning for such opposition or abstention.
- 4) No later than the fifth day of the second month following the end of a calendar quarter, beginning with the end of the first calendar quarter following the Effective

Date, the Institution shall provide to the OTS a certified true copy of the Compliance Resolution. The Board, by virtue of the Institution's submission of a certified copy of each such Compliance Resolution, shall be deemed to have certified to the accuracy of the statements set forth in the Compliance Resolution, except as provided below. In the event that one or more directors does not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Institution.

C. Definitions

- 1) All technical words or terms used in this Agreement, for which meanings are not defined or otherwise provided, shall insofar as applicable, have the meaning set forth in Chapter V of Title 12 of the Code of Federal Regulations (CFR). Any such technical words or terms used herein and undefined in said CFR shall have the meanings that accord with the best custom and usage in the thrift industry.

D. Notices

- 1) Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver, or other document provided for or permitted by the Agreement to be made upon, given or furnished to, delivered to or filed with the OTS or the Institution shall be in writing and delivered via first class mail, overnight courier, facsimile, or hand-delivered, and addressed as follows:

OTS: OTS-West Region
Attn: Timothy Lane, ARD
1551 N. Tustin Ave., #1050
Santa Ana, CA 92705-8635

Institution: People's Bank of California
Attn: Chief Executive Officer
5900 Wilshire Blvd., 16th Floor
Los Angeles, CA 90036-5013

Any notice shall be deemed duly given when received by the addressee thereof. Any party to this Agreement may from time to time change its address for receiving Notices to the other party in the manner set forth above.

E. Duration, Termination or Suspension of Agreement

- 1) This Agreement shall remain in effect until terminated, modified or suspended in writing by the OTS, in its sole discretion.
- 2) The OTS may, in its sole discretion, suspend or waive (temporarily or permanently) any or all provisions of this Agreement.

F. Time Limits

- 1) Time limits for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted.

G. Effect of Headings

- 1) The section headings herein are for convenience only and shall not affect the construction of this Agreement.

H. Separability Clause

- 1) In any case in which 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 shall not in any way be affected or impaired thereby, unless the OTS, in its sole discretion, determines otherwise.

I. No Violations of Law, Rule, Regulation or Policy Statement Authorized

- 1) Nothing contained herein shall be construed as (i) allowing or requiring the Institution to violate any law, rule, regulation, or policy statement to which it is subject; (ii)

restricting or estopping the OTS from taking any action(s) deemed appropriate in fulfilling its lawful responsibilities; or (iii) constituting an admission on the part of the Institution that the Institution has violated any law or regulation, or has engaged in any unsafe or unsound practices.

J. Successors in Interest/Benefit

- 1) 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 their successors, any benefit or any legal or equitable right, remedy or claim under this Agreement.
- 2) In the event the Institution is no longer subject to supervision or regulation by the OTS, the Federal Deposit Insurance Corporation (FDIC) shall be deemed the successor of the OTS for purposes of this Agreement.

K. Signature of Directors

- 1) Each director signing this Agreement attests, by such act, that he or she voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Institution.

L. Enforceability of Agreement

- 1) 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" within the meaning of Section 8 of the Federal Deposit Insurance Act, *as amended*, 12 U.S.C. § 1818.

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS
PEOPLE'S BANK OF CALIFORNIA

I, the undersigned, being the duly appointed and qualified Secretary of People's Bank of California (the Institution), hereby certify as follows:

- 1) A duly called meeting of the Board of Directors of the Institution was held on June 16, 2000;
- 2) At said meeting a quorum was present and voting throughout;
- 3) The following is a true copy of resolutions duly adopted by the Institution's Board of Directors on the above date, which resolutions have not been rescinded or modified and are now in full force and effect:

WHEREAS, the Board of Directors of the Institution wishes to cooperate with the Office of Thrift Supervision (OTS), and to demonstrate that said Board and the Institution have the intent to engage in safe and sound practices; and

WHEREAS, the Directors of the Institution have read and considered the proposed Supervisory Agreement (Agreement) which shall be attached to the minutes of this meeting; and

WHEREAS, after due consideration, the Directors of the Institution have determined to cause the Institution to enter into the proposed Agreement which is in the best interest of the Institution;

NOW THEREFORE, BE IT RESOLVED, that the Institution be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

FURTHER RESOLVED, that the execution and delivery of, and performance of all of the provisions of the Agreement be, and they hereby are, authorized and approved,

FURTHER RESOLVED, that the Directors and Officers of the Institution be, and they hereby are, authorized and directed to execute and deliver the Agreement and to take all steps necessary or appropriate to implement the terms of the Agreement and to cause the Institution to comply in all respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting ~~(except~~XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX) and all members of the Board of Directors ~~(except~~XXXXXXXXXXXXXXXXXXXXXXXXXXXX) voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal
of the Institution on this 19th day of June, 2000.

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Name: Doreen J. Blauschild

Title: Secretary

(SEAL)