

SUPERVISORY AGREEMENT

This Supervisory Agreement ("Agreement") is made and is effective this twenty-eighth day of June, 1995 (the "Effective Date"), by and between Fidelity Federal Bank, FSB ("the Institution"), a federally chartered stock association, having its main office located at 600 North Brand Boulevard, Glendale, California and the Office of Thrift Supervision ("OTS"), an office within the United States Department of the Treasury, having its principal executive offices located at 1700 G Street, N.W., Washington, D.C., acting through its Regional Director or his designee ("Regional Director").

WHEREAS, the OTS is the primary federal regulator of the Institution; and

WHEREAS, based on the Report of Examination dated April 18, 1995 ("ROE"), the OTS is of the opinion that grounds exist for the initiation of administrative proceedings against the Institution; and

WHEREAS, the OTS is of the view that it is appropriate to take measures intended to ensure that the Institution will engage in safe and sound practices; and

WHEREAS, the Institution, acting through its Board of Directors (the "Board"), without admitting or denying that any grounds exist for the initiation of administrative proceedings against the Institution, wishes to cooperate with the OTS and to evidence the intent to engage in safe and sound practices;

NOW THEREFORE, in consideration of the above premises, the mutual undertakings set forth herein, the parties hereto agree as follows:

CORRECTIVE PROVISIONS

A. Business Plans.

1. Within sixty (60) days of the Effective Date, management shall develop and the Board shall approve and submit to the Assistant Regional Director ("ARD") for review and comment, a comprehensive three year business plan for the Institution (the "Business Plan"). The Business Plan shall include, among other things: (a) a plan to increase the Institution's capital to at least the levels required of a "well-capitalized" institution, as defined in 12 C.F.R. Section 565.4; (b) actions that will be taken by the Board and management to achieve corporate goals and objectives to improve earnings; and (c) a schedule to reduce, within a twelve (12) month period, Classified Assets (which shall mean assets which are, or are determined by the OTS to be, classified under 12 C.F.R Section 563.160 and Section 260 of

the Thrift Activities Regulatory Handbook) to less than 50 percent of Tangible Capital (as defined in 12 C.F.R. Part 567) plus allowance for loan and lease losses. The Business Plan shall be developed in accordance with, and shall conform to, the requirements of a Capital Restoration Plan, as set forth in 12 U.S.C. Section 1831o and 12 C.F.R. Part 565 and related guidance.

2. No later than the last day of the month following the end of a calendar quarter, unless a shorter reporting period is required by the ARD, beginning with the end of the first calendar quarter following the submission of the Business Plan to the ARD, the Board shall review and file with the ARD a written report prepared by management of the Institution's year-to-date operating results through the end of the preceding calendar quarter. Such report shall include a comparison of actual results against the projections made in the Business Plan. If the actual results show a significant variance from the projections of the Business Plan, the report shall include an explanation of the significant variances, including whether such variances resulted from changes in economic, regulatory or other conditions and whether such variances are expected to continue; the report shall also set forth recommendations for altering the Business Plan. The Business Plan shall not obligate the Institution to take any action which would violate any law, regulation, rule or publication of the OTS, or would constitute an unsafe or unsound practice.

B. Internal Asset Review Policy.

The Institution shall enhance its existing internal asset review ("IAR") policy ("IAR Policy") and system to address the issues and matters identified in the ROE. The IAR Policy shall include, among other things: (a) the completion of adequate and well documented asset reviews to achieve the timely recognition of losses; (b) a standardized approach for the classification of assets; (c) appropriate collection and dissemination of asset information; (d) minimum documentation requirements; (e) reliable and credible sources of asset information; (f) minimum threshold levels for asset standards, e.g., debt coverage ratios, collateral coverage and financial capacity of borrowers; (g) adequate procedures to achieve the compliance of asset valuations with regulatory requirements and generally accepted accounting principles; and (h) procedures to achieve the appropriate collection and documentation of data necessary to determine the appropriate capital risk weighting of the multifamily loan portfolio, including those multifamily loans sold with recourse, which shall provide for, among other things, the analysis of no less than 80 percent of the Institution's multifamily investment portfolio and multifamily loans sold with

recourse which are serviced for others. In addition, management shall implement adequate procedures to achieve substantial compliance with the IAR Policy.

C. Allowance for Loan and Lease Losses Policy.

The Institution shall enhance its existing allowance for loan and lease losses ("ALLL") policy ("ALLL Policy") to address the issues and matters identified in the ROE. The ALLL Policy shall include, among other things: (a) a requirement that the Institution review and analyze varying term periods (6, 9, 12 month average experience) in order to identify trends in the ALLL review process; (b) a requirement that the Institution review and analyze all appropriate loan and migration factors; and (c) minimum documentation requirements reflecting analysis and quantification of appropriate qualitative factors. In addition, management shall implement adequate procedures to achieve substantial compliance with the ALLL Policy.

D. OTS Review of the Business Plan, Internal Asset Review Policy, Allowance for Loan and Lease Losses Policy.

1. The ARD shall review the Business Plan, Internal Asset Review Policy, and Allowance for Loan and Lease Losses Policy (collectively referred to as the "Plan and/or Policies") submitted in accordance with this Agreement. Within 15 days of receiving written notice of completion of the ARD's review of any of the Plan or Policies, the Institution shall implement the respective Plan or Policies.

2. If the ARD objects to any aspect of the Plan or Policies, the ARD shall notify the Institution in writing of the objection. Within 30 days of receipt of the ARD's written notification, the Institution shall submit a revision of the affected Plan or Policies to the ARD.

3. Once the Plan and Policies are submitted pursuant to this Agreement and all objections from the ARD, if any, have been satisfactorily resolved, the Institution may not amend, suspend, or revoke the Plan or Policies without the prior written non-objection from, or approval of, the ARD.

4. The Institution shall adhere to the Plan and Policies to be developed and implemented in accordance with this Agreement.

E. Valuation and Classification of Troubled, Collateral-Dependent Loans.

The Institution shall conform its practice of valuation and classification of troubled, collateral-dependent loans to include the standards set forth in OTS Regulatory Bulletin 32 (December 29, 1994), document such action and implement procedures to achieve accurate reporting of troubled debt restructurings and impaired loans.

F. Board and Management Oversight and Responsibilities.

The Board and management of the Institution (to the extent applicable), shall document their consideration of regulatory correspondence from the OTS and resolution of matters and issues raised by the OTS, including those raised in the ROE. The Board shall also: review, approve and monitor the Institution's audit plan for 1995, which plan shall include the assessment of staffing levels, including management's recommendations regarding whether the Institution's resources are adequate, to audit the Institution's controls and promote compliance with the Institution's operating policies and procedures and this Agreement; review the Information Systems Field Visit Report attached to page S-2.1 of the ROE and direct management to implement action to address the issues and matters identified in such report and achieve timely audits for the branch automation system project in order to monitor and assess the adequacy of project management, the degree of compliance with management's systems development policies and procedures and the design of internal control procedures.

G. Internal Asset/Liability Modeling Process.

The Institution shall improve and enhance its existing internal asset/liability modeling process by, among other things: (a) providing periodic analysis and documentation to the Board indicating conformance with OTS Thrift Bulletins 13, 13-1 and 13-2 (January 26, 1989, May 9, 1989 and December 27, 1989, respectively); (b) reconciling the results of the Institution's "RADAR" model with the OTS' "NPV" model; (c) providing procedures to achieve the accurate reporting of the Thrift Financial Report, Schedule CMR; and (d) implementing actions to address the issues and matters regarding the Institution's internal asset/liability modeling process identified in the ROE.

H. Restriction on Use of Derivatives and Other Higher Risk Investments and Training on the Use of Such Products.

1. The Institution shall enhance its existing derivatives policy by precluding the use of derivatives or

other higher risk investments, including, but not limited to, short straddles, strangles, collars and synthetic options, that do not directly reduce the overall interest rate risk exposure of the Institution. In addition, management shall implement adequate procedures to achieve substantial compliance with the derivatives policy.

2. The Board shall follow through with its plans to obtain training and education to improve its understanding of the use of derivatives and other higher risk investments. Such training and education shall also address interest rate risk and asset/liability management with particular emphasis on the Institution's current and planned activities and risk assessment methods.

3. Within 30 days of the Effective Date, the Institution shall provide to the ARD for review and comment, all materials previously used in connection with its training plans referenced above. In addition, the Institution shall promptly provide to the ARD for review and comment any materials to be used in connection with prospective training, but in no event shall such materials be provided later than 10 calendar days after the Institution receives such materials. Upon his review, the ARD may, in his discretion, require any additional training.

MISCELLANEOUS

A. Director Responsibility.

Notwithstanding the requirements of this Agreement that the Board submit various matters to the OTS for the approval, non-objection or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the responsibility for overseeing the safe and sound operation of the Institution at all times, including compliance with the determinations, if any, of the ARD as required by this Agreement.

Nothing in this Agreement shall limit the protection available to the directors under the business judgment rule.

B. Compliance with Agreement.

1. The Board and officers of the Institution shall take action to cause the Institution to comply with the terms of this Agreement within the time frames specified and shall promptly 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, unless a shorter reporting period is required by the ARD, shall adopt a board resolution (the "Compliance Resolution") formally resolving that, based upon reasonable inquiry of, and reliance on, management and review of relevant information and reports provided by management, to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Institution has substantially complied with this Agreement, except as otherwise stated. The Compliance Resolution shall: (i) specify how, if at all, substantial compliance was found not to exist; and (ii) identify all notices of exemption, waiver, or non-objection issued by the ARD that were outstanding as of the date of the adoption of the Compliance Resolution.

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 such director's reasoning for opposing or abstaining.

4. No later than the last calendar day of the 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 ARD a certified copy of the Compliance Resolution adopted at the Board meeting.

C. Definitions.

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, the Home Owners' Loan Act ("HOLA"), Federal Deposit Insurance Act ("FDIA") or OTS Memoranda. Any such technical words or terms used in this Agreement and undefined in the Code of Federal Regulations, HOLA, FDIA, or OTS Memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

D. Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Agreement to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions that have been made as of the Effective Date and references to successor provisions as they become applicable.

E. Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided 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 mailed, first class or overnight courier, or by means of electronic transmission, or physically delivered, and addressed as follows:

Office of Thrift Supervision
West Regional Office
18300 Von Karman, Ste. 800
Irvine, CA 92715

Fidelity Federal Bank, FSB
600 N. Brand Boulevard
Glendale, CA 91203
Attn: Board of Directors

F. Duration, Termination or Suspension of Agreement.

1. This Agreement shall: (i) become effective upon its execution by the OTS, through its authorized representative whose signature appears below and (ii) remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director or the Regional Director (including any authorized designee thereof).

2. The Regional Director, the Deputy Regional Director, the ARD, or their respective authorized delegates in his or her sole discretion, may, by written notice, suspend or waive any or all provisions of this Agreement.

G. Time Limits.

Time limitations for compliance with the terms of this Agreement run from the Effective Date, unless otherwise noted. If a time limitation expires on a day which is not a business day, the Institution shall have until the next following business day to take the action required by this Agreement.

H. Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

I. Separability Clause.

In case any provision in 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 ARD in his sole discretion determines otherwise.

J. No Violations of Law, Rule, Regulation or Policy Statement Authorized; OTS Not Restricted.

Nothing in this Agreement shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject or (ii) restricting the OTS from taking such action(s) that are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, any type of supervisory, enforcement or resolution action that the OTS determines to be appropriate.

K. Successors in Interest/Benefit.

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, the Resolution Trust Corporation, and the Federal Deposit Insurance Corporation and their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Agreement.

L. Signature of Directors.

Each director signing this Agreement attests, by such act, that she or he, as the case may be, voted in favor of the resolution, in the form attached to this Agreement, authorizing the execution of this Agreement by the Institution.

M. Integration Clause.

This Agreement represents the final written agreement of the parties with respect to the subject matter hereof and constitutes the sole agreement of the parties, as of the Effective Date, with respect to such subject matter.

N. Enforceability of Agreement.

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" entered into with the OTS within the meaning of Section 8 of the FDIA, 12 U.S.C. § 1818.

IN WITNESS WHEREOF, the OTS, acting by and through the Regional Director, and the Institution, in accordance with a duly

adopted resolution of its Board (copy attached hereto), hereby execute this Agreement as of the Effective Date.

OFFICE OF THRIFT SUPERVISION

FIDELITY FEDERAL BANK, FSB

By:

By:

Kenneth P. Slosser
Assistant Regional Director

Richard M. Greenwood
Chief Executive Officer

DIRECTORS OF FIDELITY FEDERAL BANK, FSB

Norman Barker, Jr.
Director

Waldo H. Burnside
Director

George Gibbs, Jr.
Director

Mel Goldsmith
Director

Richard M. Greenwood
Director

Lilly V. Lee
Director

Ralph B. Perry III
Director

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Fidelity Federal Bank, FSB (the "Institution"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Institution was held on June 28, 1995;
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, 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 OTS and to demonstrate that said Board and the Institution have the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Directors of the Institution have read and considered the proposed Supervisory Agreement ("Agreement"), a copy of which is 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.

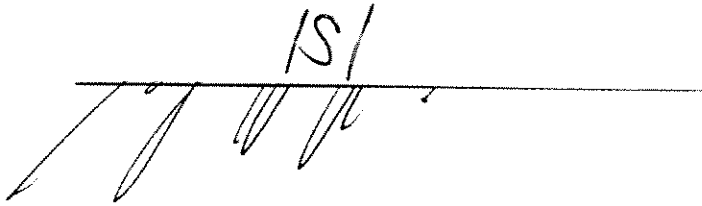
NOW, THEREFORE, BE IT RESOLVED, that the Institution be and it hereby is authorized to enter into the Agreement in the form attached to the minutes of the meeting,

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 material respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting and all members of the Board of Directors voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Institution on this 28th day of June, 1995.



(SEAL)

Name: Godfrey B. Evans

Title: Corporate Secretary

CERTIFIED COPY OF
RESOLUTION OF BOARD OF DIRECTORS

I, the undersigned, being the duly appointed and qualified Secretary of Fidelity Federal Bank, FSB (the "Institution"), hereby certify as follows:

1. A duly called meeting of the Board of Directors of the Institution was held on June 28, 1995;
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, 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 OTS and to demonstrate that said Board and the Institution have the intent to: (i) comply with all applicable laws and regulations and (ii) engage in safe and sound practices; and

WHEREAS, the Directors of the Institution have read and considered the proposed Supervisory Agreement ("Agreement"), a copy of which is 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.

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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 material respects with the terms of the Agreement.

4. All members of the Board of Directors were present and voted at the meeting and all members of the Board of Directors voted in favor of the resolution;

IN WITNESS WHEREOF, I have hereto subscribed my name and affixed the seal of the Institution on this 28th day of June, 1995.

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Name: Godfrey B. Evans

Title: Corporate Secretary

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(SEAL)