

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)	
)	Order No.: <u>SF-02-012</u>
RICHARD M. GREENWOOD,)	Date: <u>July 11, 2002</u>
)	
Former Chief Executive Officer &)	
Chairman of the Board of Directors of)	
)	
FIDELITY FEDERAL BANK, F.S.B.,)	
Glendale, California.)	
(OTS No. 05770))	
)	

CONSENT ORDER TO CEASE AND DESIST
AND FOR CIVIL MONEY PENALTIES

WHEREAS, Richard M. Greenwood (GREENWOOD) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist and for Civil Money Penalties (Stipulation); and

WHEREAS, GREENWOOD, by his execution of the Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist and for Civil Money Penalties (Order) pursuant to 12 U.S.C. §§ 1818(b) and 1818(i).¹

WHEREAS, the Director of the Office of Thrift Supervision (OTS) has delegated to the Regional Directors of the OTS the authority to issue Orders to Cease and Desist and for Civil Money Penalties on behalf of the OTS where GREENWOOD has consented to the issuance of the Order.

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.
Richard M. Greenwood
Fidelity Federal Bank, F.S.B.
C&D/CMP Order

**NOW THEREFORE, IT IS ORDERED THAT WHILE SERVING AS AN
INSTITUTION-AFFILIATED PARTY OF A BANKING INSTITUTION, GREENWOOD
SHALL:**

A. Cease and desist from engaging in any unsafe and unsound practice or violating any regulation in connection with his oversight of such Banking Institution's business activities;

B. Cease and desist from causing a Banking Institution to engage in any line of business without first ensuring that the Banking Institution has the necessary in-house expertise for the activity undertaken;

C. Cease and desist from causing a Banking Institution to engage in any line of business without having designated, qualified staff to monitor, analyze, establish, and maintain controls, and report on the performance of that line of business on a regular basis;

D. Cease and desist from causing a Banking Institution to commence any new business activity without (i) a thorough corporate understanding of the market, customer base, product offered, and attendant risks, and (ii) conducting appropriate testing of the market before full implementation of the new business line;

E. Cease and desist from causing a Banking Institution to engage in any business relationships with third parties without first ensuring that (i) the Banking Institution's needs and requirements from the relationship have been assessed, (ii) the risks posed by the proposed third party business relationship have been identified and addressed, (iii) the Banking Institution exercises due diligence in identifying and selecting its third party business associate(s), (iv) the Banking Institution closely monitors on an ongoing basis both its third party business associate and the third-party activities, (v) the third-party business relationship(s) will be conducted in a

safe and sound manner, and (vi) the third-party business relationship(s) will be conducted in compliance with applicable laws.

F. Cease and desist from entering into any contractual obligation or business relationship, including consulting relationships and third party relationships, on behalf of a Banking Institution without ensuring that the contract (i) is in writing, (ii) expressly outlines the duties, obligations, and responsibilities of the parties, and (iii) has been reviewed by legal counsel thoroughly briefed on the Bank's goals as well as the risks associated with the potential business activity and the potential business associate.

IT IS FURTHER ORDERED THAT:

GREENWOOD shall pay to the OTS a civil money penalty in the amount of \$20,000 in three payments by tendering a certified check or bank draft made payable to the order of the Treasurer of the United States in conformance with the following schedule: (1) \$7,000 due within 10 days of the issuance of this Order; (2) \$7,000 due one year after the date of the issuance of this Order; and (3) \$6,000 due two years after the date of this Order. Failure to make any of the three payments on the date due shall constitute a violation of this Order. In such case, the entire unpaid amount of the civil money penalty shall become immediately due and payable.

The checks or bank drafts and a copy of the Order shall be delivered, together with a cover letter stating the name of the association, to the following address: Controller's Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, D.C., 20552. A copy of the checks or bank drafts and the cover letter shall be provided by U.S. Mail to James A. Hendriksen, Regional Enforcement Counsel, Post Office Box 7165, San Francisco, California, 94120-7165.

1. Definitions. For purposes of this Order and the Stipulation incorporated herein:
 - (a) "Banking Institution" refers to any and all of the following: any "insured depository institution" as that term is defined at 12 U.S.C. § 1813(c) (including but not limited to banks and savings associations); any direct or indirect subsidiary of an insured depository institution, whether wholly or partly owned; any "insured credit union" within the meaning of 12 U.S.C. § 1752(7); any "savings and loan holding company" within the meaning of 12 U.S.C. § 1467a(a)(1); any "bank holding company" within the meaning of 12 U.S.C. § 1841; and any direct or indirect subsidiary of any such holding companies, whether wholly or partly owned;
 - (b) "Institution-Affiliated Party" shall have the meaning set forth at 12 U.S.C. § 1813(u);
 - (c) Any terms used herein that are defined in other paragraphs of this Order or Stipulation shall have the meanings ascribed to them in such paragraphs; and
 - (d) Except as otherwise expressly provided in this Order, any terms used herein that are defined in the Home Owners' Loan Act or the Federal Deposit Insurance Act shall have the meanings ascribed to them in said statutes. See, e.g., 12 U.S.C. § 1813.
2. Stipulation. The Stipulation is made a part hereof and is incorporated herein by this reference.
3. Effectiveness of Order. This Order shall become effective on the date it is issued, as shown in the caption hereof. This Order shall remain in effect until it is terminated, modified, or

suspended, which may occur only by formal written action of the OTS, acting by and through its Regional Director, or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: 
Charles A. Deardorff
Regional Director
West Region

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FIDELITY FEDERAL BANK, F.S.B.,)	
Glendale, California.)	
(OTS No. 05770))	
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**STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR CIVIL MONEY PENALTIES**

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, has informed Richard M. Greenwood (GREENWOOD), former Chief Executive Officer and Chairman of the Board of Directors of Fidelity Federal Bank, F.S.B., Glendale, California (Fidelity), that grounds exist to initiate an administrative cease and desist and civil money penalty proceeding against him pursuant to 12 U.S.C. §§ 1818(b) and 1818(i),¹ and

WHEREAS, desiring to cooperate with the OTS to avoid the time and expense of such administrative proceeding, and solely for the purposes of settlement, without any adjudication of any issue of fact or law, and without admitting or denying that such grounds exist or the truth of the OTS Findings of Fact or opinions and conclusions in paragraph 2, but admitting that the OTS

has jurisdiction as set forth in paragraph 1,² GREENWOOD hereby stipulates and agrees to the following:

1. Jurisdiction.

(a) Fidelity is a "savings association" within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, it is an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c);

(b) Until on or about September 30, 1998, GREENWOOD was Chief Executive Officer and Chairman of the Board of Directors of Fidelity and is an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u); and

(c) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative cease and desist and civil money penalty proceeding against an institution-affiliated party. Therefore, GREENWOOD is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist and civil money penalty proceeding against him pursuant to 12 U.S.C. §§ 1818(b) and 1818(i). The Director of the OTS has delegated to the Regional Director of the West Region of the OTS or his designee (Regional Director) the authority to issue cease and desist orders where the individual has consented to the issuance of the order.

2. OTS Findings of Fact. The OTS finds that GREENWOOD, in his capacity as Fidelity's Chairman of the Board of Directors (from 1996 through 1998) and Chief Executive

¹All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

² Negotiations of the terms of this Stipulation and Order, including conduct and statements made in connection therewith, shall not be admissible as evidence in accordance with Rule 408 of the Federal Rules of Evidence, or similar evidence code provisions of the various states, including without limitation, California Evidence Code § 1152.

Officer (from 1992 through 1998), inadequately planned, implemented, and monitored Fidelity's new, subprime, consumer credit card lending programs and its Credit Processing Center. While Greenwood should have known that Fidelity lacked the internal expertise to proceed with this new initiative and his assurances that the new programs would be closely monitored, GREENWOOD failed to (a) order slow roll out or testing of new programs before Fidelity was irrevocably committed, (b) establish controls and closely monitor portfolio performance, and (c) carefully assess the financial capabilities and business weaknesses of its affinity and shared risk partners in the programs. When he engaged in this conduct, GREENWOOD caused Fidelity to operate the new programs in an unsafe and unsound manner as well as in violation of 12 C.F.R. §§ 560.1(b) [1997] and 560.170 [1997]. In consequence, Fidelity suffered large financial losses on the new programs.

3. Consent. GREENWOOD consents to the issuance by the OTS of the accompanying Order to Cease and Desist and for Civil Money Penalties (Order). GREENWOOD further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. Finality. The Order is issued under 12 U.S.C. §§ 1818(b), 1818(i), and 1818(u). Upon its issuance by the OTS, it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i)(1).

5. Waivers. GREENWOOD waives the following:

(a) the right to be served with a written notice of the OTS's charges against him as provided by 12 U.S.C. § 1818(b);

(b) the right to be served with a written notice of assessment of civil money penalties against him as provided by 12 U.S.C. § 1818(i);

(c) the right to an administrative hearing of the OTS's charges against him as provided by 12 U.S.C. §§ 1818(b) and 1818(i);

(d) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;

(e) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

(f) the right to assert this proceeding, his consent to issuance of the Order, the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. Other Governmental Actions Not Affected. GREENWOOD acknowledges and agrees that the consent to the issuance of the Order is for the purpose of resolving this OTS enforcement matter only, arising from the OTS Findings of Fact set forth in paragraph 2 herein, and does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of GREENWOOD that arise pursuant to this action or otherwise and that may be or have been brought by the OTS or another governmental entity.

7. Agreement for Continuing Cooperation. GREENWOOD agrees that, at the OTS's written request, on reasonable notice and without service of a subpoena, he will provide discovery and testify truthfully at any deposition or at any judicial or administrative proceeding related to any investigation, litigation, or other proceeding maintained by the OTS relating to Fidelity, its holding company, service corporation or subsidiaries or its institution-affiliated parties, except that

GREENWOOD does not waive any privilege against self-incrimination under the Fifth Amendment of the United States Constitution or any attorney-client privilege. If GREENWOOD invokes his privilege against self-incrimination under the Fifth Amendment of the United States Constitution and the OTS obtains a grant of immunity as authorized pursuant to 18 U.S.C. § 6001 et seq., GREENWOOD agrees, consistent with any such grant of immunity, to provide discovery and testify truthfully at any deposition and at any judicial, administrative, or investigative proceeding on the matter for which immunity is given.

8. Miscellaneous.

(a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America;

(b) All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and the Order are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Order;

(d) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

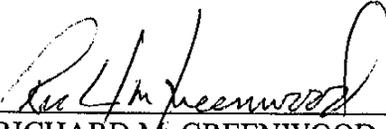
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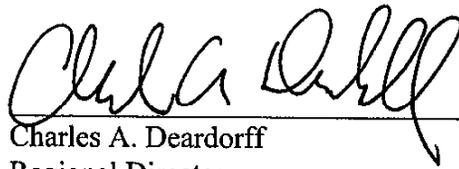
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WHEREFORE, GREENWOOD executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist and for Civil Money Penalties, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: 
RICHARD M. GREENWOOD


Charles A. Deardorff
Regional Director
West Region

Dated: June 28, 2002

Dated: July 11, 2002

(FID Greenwood CD CMP Stip2 c:/fidelity)