

**UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION**

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|---|---|-----------------------------|
| In the Matter of |) | Order No.: <u>SF-02-014</u> |
| |) | |
| W. C. TAYLOR, III, |) | Date: <u>July 29, 2002</u> |
| |) | |
| Former Chief Lending Officer & Executive Vice President of |) | |
| |) | |
| FIDELITY FEDERAL BANK, F.S.B., |) | |
| Glendale, California. |) | |
| (OTS No. 05770) |) | |
| |) | |

CONSENT ORDER TO CEASE AND DESIST

WHEREAS, W. C. Taylor, III (TAYLOR) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

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

WHEREAS, the Director of the Office of Thrift Supervision (OTS) has delegated to the Regional Directors of the OTS the authority to issue an Order to Cease and Desist on behalf of the OTS where TAYLOR has consented to the issuance of the Order.

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

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.
W. C. Taylor, III
Fidelity Federal Bank, F.S.B.
C&D Order

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.

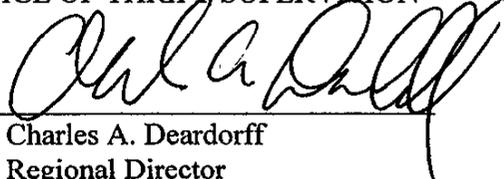
1. Definitions. For purposes of this Order and the Stipulation incorporated herein:

- (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

(FID Taylor CD Ord c:jah/fidelity)

W. C. Taylor, III
Fidelity Federal Bank, F.S.B.
C&D Order

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of)

Order No.: SF-02-014

W. C. TAYLOR, III)

Date: July 29, 2002

Former Chief Lending Officer &)
Executive Vice President of)

FIDELITY FEDERAL BANK, F.S.B.,)
Glendale, California.)
(OTS No. 05770))
_____)

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, has informed W. C. Taylor, III (TAYLOR), former Chief Lending Officer and Executive Vice President of Fidelity Federal Bank, F.S.B., Glendale, California (Fidelity), and former President of Fidelity affiliate Bank Plus Credit Services, that grounds exist to initiate an administrative cease and desist proceeding against him pursuant to 12 U.S.C. § 1818(b);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

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

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 TAYLOR 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 October 31, 1998, TAYLOR was Chief Lending Officer and Executive Vice President 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 proceeding against an institution-affiliated party. Therefore, TAYLOR is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist order against him pursuant to 12 U.S.C. § 1818(b). 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 TAYLOR, in his capacity as Fidelity's Executive Vice President and Chief Lending Officer, and Bank Plus Credit Services' President,

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 limitations, California Evidence Code § 1152.

inadequately planned, implemented, and monitored Fidelity's new, subprime, consumer credit card lending programs and its Credit Processing Center. Despite his knowledge that Fidelity lacked the internal expertise to proceed with this new initiative and his assurances that the new programs would be closely monitored, TAYLOR failed to (a) order a 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, TAYLOR 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. TAYLOR consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). TAYLOR 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) 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. TAYLOR 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 an administrative hearing of the OTS's charges against him as provided by 12 U.S.C. § 1818(b);

(c) 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;

(d) 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

(e) 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. TAYLOR 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 TAYLOR 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. TAYLOR 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 TAYLOR does not waive any privilege against self-incrimination under the Fifth Amendment of

the United States Constitution or any attorney-client privilege. If TAYLOR invokes his privilege against self-incrimination under the Fifth Amendment of the United States Constitution and the OTS obtains a grant of immunity pursuant to 18 U.S.C. § 6001 et seq., TAYLOR 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. Representation As To Financial Condition. It is understood that, as part of this settlement, the OTS has relied in part on TAYLOR's representations concerning his current financial condition, as set forth in a written statement of financial condition dated January 15, 2002 (on OTS Form 1571, "Statement of Financial Condition"), which has been signed by TAYLOR. If any information included in the Statement of Financial Condition is found to be false or misleading with respect to any material fact (including but not limited to the failure to properly identify and/or value any material asset or liability), the OTS reserves the right to take any action authorized by law, in the exercise of its discretion, including assessing civil money penalties under 12 U.S.C. § 1818(i), or to void this Stipulation and the Order, or to take any other legal action.

9. 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

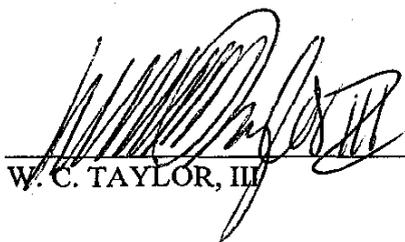
(e) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

WHEREFORE, TAYLOR executes this Stipulation and Consent to the Issuance of an Order to Cease and Desist, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By:


W. C. TAYLOR, III


Charles A. Deardorff
Regional Director
West Region

Dated:

July 17, 2002

Dated:

July 29, 2002

(FID Taylor CD Stip c:/fidelity)

W. C. Taylor, III
Fidelity Federal Bank, F.S.B.
C&D Stipulation and Consent